EMBLEM CORP.

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2017

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ["MD&A"] of Emblem Corp. ["Emblem" or the "Company"] contains "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities legislation [collectively, "forward-looking statements"]. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements contained in this MD&A are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect the Company's management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Forward-looking statements are not a guarantee of future performance and by their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Various material factors and assumptions are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking statements. Those material factors and assumptions are based on information currently available to the Company, including data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Emblem believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While Emblem is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties and is subject to change based on various factors. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- Receipt of approval from Health Canada to complete such expansion and increase production and sale capacity;
- Its expectations regarding production capacity and production yields;
- The expected demand for products and corresponding forecasted increase in revenue;
- The use of the net proceeds of the Offering (as defined herein);
- The performance of the Company's business and operations;
- The intention to grow the business, operations and potential activities of the Company;
- The intended expansion of the Company's facilities, its costs and receipt of approval from Health Canada to complete such expansion and increase production and sale capacity;
- The expected growth in the Company's growing capacity;
- The methods used by the Company to deliver medical marijuana;
- The competitive conditions of the industry;
- The applicable laws, regulations and any amendments thereof;
- The competitive and business strategies of the Company;
- The grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof;
- The anticipated future gross margins of the Company's operations; and
- The anticipated changes to Canadian federal laws regarding recreational use and the business impacts on the Company.

The above matters and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are forward-looking statement and are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting management of the Company's reasonable judgment based upon current information and involve a number of risks and uncertainties, certain of which are set out herein, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the requisite financing, the general impact of financial market conditions, the yield from marijuana growing operations, product demand, changes in prices of required commodities, competition, government regulations and other risks. Certain of the risks are set forth in the Company's annual information form for the year ended December 31, 2016 under the heading "*Risk Factors*".

This MD&A is dated November 28, 2017. The MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2016 [the "Annual Financial Statements"], the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 [the "Interim Financial Statements" and, together with the Annual Financial Statements, the "Financial Statements"] and with the Annual Management's Discussion and Analysis for the year ended December 31, 2016.

This MD&A contains non-GAAP financial measures and forward-looking statements that are intended to help readers better understand the Company's business and prospects. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosure under "Non-GAAP Financial Measures" and "Forward-Looking Statements" included in this MD&A.

The Financial Statements have been prepared by management in accordance with generally accepted accounting principles in Canada, as set out in the Chartered Professional Accountant of Canada Handbook – Accounting which incorporates International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board, using International Accounting Standard 34 - *Interim Financial Reporting* ["IAS 34"]. IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

All amounts are expressed in Canadian dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this MD&A. The Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the board of directors of the Company [the "Board of Directors"].

Further Company details and filings are available at www.sedar.com.

COMPANY OVERVIEW

Emblem Corp., through its wholly-owned subsidiary Emblem Cannabis Corporation ["ECC"], is licensed to produce and sell cannabis as a Licensed Producer (as such term is defined under the *Access to Cannabis for Medical Purposes Regulations* ["ACMPR"]) under the provisions of the ACMPR. On August 26, 2015, ECC received its initial licence that permitted ECC to produce cannabis [the "Licence"]. The Licence was amended on July 27, 2016 to allow for the sale of cannabis to the public and to permit increased production. The Licence was further amended on April 28, 2017 to authorize ECC to produce cannabis oils, and was amended again on October 6, 2017 to remove restrictions on the amount of cannabis (in all forms) to be produced and sold by Emblem. On November 3, 2017, ECC received a subsequent amendment to the Licence to permit ECC to complete the sale of bottled cannabis oil. The Licence has a current term ending on July 26, 2019. Emblem's production operations are located in Paris, Ontario.

In addition to its 100% ownership of ECC, the Company also owns a fifty percent (50%) interest in GrowWise Health Limited ["GrowWise"], a corporation incorporated under the *Business Corporations Act* (Ontario). The Company has entered into an option agreement [the "Option Agreement"] to acquire all of the remaining shares of GrowWise at any time after December 31, 2017 for fifty percent (50%) of the greater of GrowWise's net book value and $1.00. The option price is currently expected to be $1.00.

On December 6, 2016, the Company closed its qualifying transaction [the "Transaction"] with 9045538 Canada Inc. [formerly KindCann Holdings Limited and Emblem Corp.] ["KindCann"]. The Transaction was completed pursuant to a plan of arrangement [the "Plan of Arrangement"] under the *Canada Business Corporations Act* [the "CBCA"] pursuant to which the shareholders of KindCann completed a reverse take-over of the Company. In connection with the Transaction, the Company changed its name from "Saber Capital Corp." to "Emblem Corp.", consolidated its common shares on a 4 to 1 basis, continued from the Business Corporations Act (British Columbia) to the CBCA and KindCann amalgamated with Saber Acquisition Co., a wholly-owned subsidiary of the Company formed solely for the purpose of facilitating the Transaction. Under IFRS rules, for accounting purposes, the Company treats the transaction as if KindCann had acquired the assets of Saber Capital Corp. and accordingly the financial statements and this MD&A treat the financial results of KindCann and its subsidiaries up to December 6, 2016 as if they were in fact the results of the Company. Accordingly, in this MD&A all financial results of KindCann and its subsidiaries prior to December 6, 2016 are referenced as Emblem's or the Company's.

On December 12, 2016, the post-Transaction Company commenced trading on the TSX Venture Exchange [the "TSXV"] under the symbol "EMC".

Emblem's head office and registered office is located at 36 York Mills Road, Suite 500, Toronto, Ontario M2P 2E9.

DESCRIPTION OF BUSINESS

Emblem's principal business is the sale of cannabis to patients who have received medical authorizations to acquire and use such cannabis. A significant proportion of the cannabis sold by Licensed Producers in Canada takes the form of dried flower. In July 2015, it became lawful to extract the cannabis active ingredients (and terpenes), dissolve them in appropriate oils and sell the resulting oils to qualified patients. Emblem currently produces and sells dried cannabis to qualified patients. In December 2016, Health Canada provided its approval to allow the Company to extract tetrahydrocannabinol, cannabidiol and terpenes in its laboratory located in its existing grow facility.

On November 3, 2017, following Health Canada's inspection of the Company's extraction facility on June 26, 2017, the Company received an amendment to its Licence to permit the Company to sell bottled cannabis oil under the ACMPR. Management of the Company currently expects that the Company will begin selling cannabis oils to qualified patients in December 2017.

Emblem carries on its business in Canada. It is a policy of the Company that the Company will not carry on business or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any other jurisdiction where the sale of cannabis is federally unlawful.

Operations

The Company's existing facility was built at the site of a pre-existing agricultural production facility in Paris, Ontario. The facility is located on three (3) acres of industrial (M2 Special Industrial) zoned lands that are suitable for significant expansion. The facility has convenient access to Highway #24A and Highway #403. The facility currently consists of a 23,500 square foot production building. In October 2015, the Company purchased a contiguous 1.2 acre parcel of land with a 4,800 square foot administration building.

The main production building has been renovated to incorporate 2,400 square feet of mothering and vegetation rooms and 3,200 square feet of two (2) flowering rooms together with attendant drying, packaging and fulfillment areas, vault area and administration. The production building also has an additional four (4) growing rooms [the "Phase 2 Grow Rooms"] comprising 6,800 square feet, in the aggregate. Three (3) of these rooms, totaling approximately 5,200 square feet, were completed in September 2017. Health Canada licensed these three (3) rooms on October 6, 2017. The first crops were immediately planted with all three (3) rooms being expected to be harvested in December 2017 and early January 2018. The fourth grow room, of approximately 1,600 square feet, is expected to be fitted-out and equipped for cultivation by summer 2018 after the completion of the expansion outlined below. After completion of the Phase 2 Grow Rooms, the Company expects the existing facility will allow it to produce approximately 2,000 kilograms of medical cannabis annually. The Company also plans to retro-fit its three (3) incumbent grow rooms in January 2018 in order to improve environmental control of those rooms.

Emblem has designed and has commenced construction of a 30,000 square foot expansion to the existing facility. A major component of this expansion is a Good Manufacturing Practice ["GMP"] extraction facility, laboratory and pharmaceutical production facility. This GMP facility will enable Emblem to produce oils and other advanced formulations of cannabis medication to exacting standards and at considerable scale. It will also facilitate the research and development activities required to pursue these advanced formulations. The 30,000 square foot expansion building will also house additional administration space, a Level 9 vault, warehousing, shipping, receiving and materials handling space. Emblem expects the expansion to be commissioned in June or July 2018.

On June 23, 2017 and July 27, 2017, the Company completed the acquisitions of two (2) contiguous parcels of land aggregating approximately eighty (80) acres in Paris, Ontario, a short distance from its current facility.

On October 24, 2017, the Board of Directors approved the construction of a greenhouse facility on the newly acquired lands in Paris, Ontario. The Company intends to break ground on the newly acquired lands in the second quarter of 2018 and to execute on the design and build of its new facility which is expected to be comprised of up to approximately 120,000 square feet of greenhouse space and 50,000 square feet of infrastructure space [the "Paris Road Expansion"]. Once operating at an optimal level, the Company expects the Paris Road Expansion to provide up to an additional 15,000 kilograms of annual production capacity.

The Paris Road Expansion will house Emblem's cultivation capacity expansion for the anticipated adult recreational market. Production capacity is expected to be built in phases that will include cultivation space sufficient to produce up to 15,000 kilograms per year together with additional space to house ancillary functions (drying, trimming, curing, vaults, packaging, fulfillment, materials handling, administration etc.).

Assuming receipt of all necessary approvals, Emblem expects to break ground on the newly acquired lands in the second quarter 2018 and, subject to the receipt of necessary Health Canada approvals for such production capacity under a new licence related to the location of the Paris Road Expansion, to begin cultivation by the first quarter of 2019.

The Company will consider additional expansions based on the size and growth of the adult recreational market in Canada.

Production

Emblem is currently producing at the rate of approximately 40-60 kilograms of dried flower per month. Emblem expects to be producing at a rate between 120-150 kilograms of dried flower per month with the first harvest from the Phase 2 Grow Rooms occurring in December 2017. On the commissioning of the fourth Phase 2 Grow Room, which is expected to occur in summer 2018, Emblem expects to be producing between 150-180 kilograms of dried cannabis per month.

Emblem commenced extraction activities in December 2016 and, as noted above, expects to be in a position to sell cannabis oil products to authorized patients by December 2017. The Company expects to be able to produce up to 5,000 bottles per month of various cannabis oils in its current laboratory. The Company will be able to significantly expand its production capacity once the GMP production facility is completed in the summer of 2018. Emblem plans to begin installing production lines in January 2018 that will allow it to produce capsules containing cannabis oils and to begin selling oil filled capsules in the second quarter of 2018. Capsules will be an improved dosage format as each capsule will contain a measured dose and therefore allow physicians and patients to titrate the medication. Emblem expects that oil filled capsules will to some extent displace simple oils, but that in the aggregate, capsules will be accretive to the total cannabis oils markets.

The Company further expects that as dried flower is displaced in the medical cannabis market by oils and oils are, in turn, displaced by more advanced pharmaceutical formulations, the effect will be accretive to market. Emblem intends to participate in the development of such advanced pharmaceutical dosage formats. In pursuit of this strategy, Emblem entered into the collaboration and licensing agreement [the "CL Agreement"] with Canntab Therapeutics Limited ["Canntab"] of Toronto to collaborate on the preclinical formulation, clinical development, regulatory approval, manufacturing and commercialization of a Canntab developed patent pending oral sustained release formulation of cannabinoids. The Company expects to be selling, subject to Health Canada approval, sustained release pills or capsules in early 2019.

Dried Flower Cultivation

As indicated above, Emblem is adding four (4) new grow rooms and retro-fitting three (3) incumbent grow rooms. Each of these grow rooms has been engineered to allow the Emblem cultivation team to achieve very exacting environmental standards for humidity and temperature. Emblem's objective is to be able to produce the highest quality and most consistent product possible out of these grow rooms.

Emblem currently sets a standard for cultivation volume for internal control and for measuring return on investment of one (1) gram per watt per harvest. Emblem began its principal cultivation program in the fall of 2016. Recent production in the current grow rooms has averaged approximately one (1) grams per watt and Emblem expects further improvements in this metric as it gains experience with the three (3) new grow rooms and the incumbent rooms are retro-fitted.

Distribution

While Emblem has sold and will likely continue to sell some of its dried flower wholesale to Licensed Producers, it primarily sells its dried flower directly to authorized patients who have registered with the Company either by phone or over the internet. These patients may register directly themselves, but a substantial portion (approximately 90%) register through specialized educational clinics similar to GrowWise (see below). These clinics generally receive an education fee from Emblem based on a percentage of the cannabis the patient purchases. All product purchased by registered patients is delivered by authorized courier directly to the patient. With the exception of veterans, all of the cannabis flower purchased is paid for by credit card. Veteran purchases, up to the limit established by Veterans Affairs, are sold on credit with payment being received from Blue Cross.

GrowWise

GrowWise is the Company's fifty percent (50%) owned healthcare division.

GrowWise operates medical cannabis education centres to provide tailored guidance to patients who have been prescribed medical cannabis and to assist these patients in registering with and ordering from a Licensed Producer. GrowWise education centres have been established in a variety of clinical settings, such as specialty pain management clinics. Additionally, GrowWise operates focused medical cannabis clinics in partnership with the White Cedar Medical Cannabis Doctors clinic chain ["White Cedar"], providing patients with access to assessment services from qualified physicians.

Currently, GrowWise operates in fourteen (14) locations and has registered over 4,000 patients with Licensed Producers. GrowWise expects to expand its education center presence within existing clinics.

Pharmaceutical Development

Currently all medical authorizations for cannabis use are fulfilled in the form of dried flower (which generally is inhaled) or cannabis infused oil (which generally is used with a dropper). These are not ideal dosage formats for medication. Emblem, through its pharmaceutical division, intends to develop for approval by Health Canada and bring to market, cannabinoid based medication in standard pharmaceutical dosage formats (pills, gel caps, sub-lingual applications and measured dose nasal sprays). Prior to bringing such products to market, the Company will submit data to Health Canada demonstrating the potency, purity and stability of the formulations. Upon acceptance of such data by Health Canada, the Company will seek to have its Licence amended to allow the sale of such products to the public. Notwithstanding the foregoing, there is no certainty that the Licence will be amended to allow for the sale by the Company of such products to the public.

Production of cannabis oils and pharmaceutical formulation activities involving cannabinoids may only be conducted under the ACMPR by Licensed Producers. In order to comply with the ACMPR, the Company's pharmaceutical division is therefore operated by ECC and not through a separate subsidiary.

Adult Recreational Market

The Canadian government has indicated that it intends to legalize cannabis not later than July 2018 rendering adult recreational use of cannabis lawful throughout Canada. Only cannabis cultivated by producers licenced by the federal government under the ACMPR will be lawful for consumption. Emblem expects that Bill C-45, An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts [the "Cannabis Act"] will, in fact, be approved by Parliament and that the adult recreational regime will become law by July 2018.

The federal government has indicated that regulation of the sale of adult recreational cannabis in retail environments will be the responsibility of the provinces and territories. The Ontario government has announced that it will sell recreational cannabis through stores and on-line through the Cannabis Control Board of Ontario [the "CCBO"]; however, the manner in which the CCBO will purchase product and interface with Emblem and other Licensed Producers is uncertain.

Emblem expects that Canadian consumers will not be permitted to buy cannabis products directly from Licensed Producers. Instead, Emblem expects that Licensed Producers will be compelled to sell all cannabis products to provincial control boards who will sell through their own outlets or licensed private outlets to consumers, as well as over the internet. The federal government recently announced that it is considering authorizing certain cannabis concentrates (including vape pens) and cannabis edibles for sale to adult consumers by a target date of July 2019. The Company had already been researching vape pens and the related concentrate technology, and now intends to dedicate additional resources to be ready to supply a premium vape pen product into the adult recreational market as soon as lawfully permitted. The Company is also reviewing the best approach to acquiring extraction grade cannabis to service the expected vape pen, edibles and concentrate market.

Emblem's current intention is to enter the adult recreational market with a focused offering of about eight (8) strains of tetrahydrocannabinol (THC) (indica dominant, sativa dominant and hybrid) premium quality, dried flower produced out of its Woodslee Avenue facility. It then intends to expand production through the Paris Road. It is the intention of the Company that the Paris Road Expansion will provide up to 15,000 kilograms of product on an annual basis to be sold as dried flower or extracted for use in concentrates and edibles for the recreational market, as well as active ingredient for its pharmaceutical production.

The Company has obtained guidance from Health Canada that licensing for this new site should be available to Emblem on a timely basis; however, there can be no assurances with respect to the timing of the licence or that such a licence will be available. Please see "*Risk Factors – Governmental Regulation*".

Natural gas infrastructure available to these lands will allow Emblem to "go off the grid", generating electricity and co-generating heat and CO^2 and allowing the Company to become a low-cost producer.

Emblem is currently undertaking an adult recreational market branding strategy review that is intended to separate branding for its recreational products and medical/pharmaceutical products.

Recent Developments and Material Events Subsequent to September 30, 2017

The Company continued the pursuit of its business plan during the third quarter of 2017, with a number of significant accomplishments, some of which were finalized after the end of the quarter. In particular, the Company:

- commissioned three (3) out of four (4) of the Company's Phase 2 Grow Rooms, providing the Company with an additional 5,200 square feet of grow space. First harvest from the new rooms is expected in December 2017 and the fourth grow room is expected to be equipped and operational by the third quarter of 2018;

- on November 3, 2017, the Company was granted a license to sell cannabis oils by Health Canada. Emblem expects to begin selling bottled cannabis oils in December 2017 with a product offering of four cannabis oil products;

- closed a "bought deal" offering whereby Eight Capital and a syndicate of underwriters [the "Underwriters"] purchased 7,885,734 units [the "Units"] and 15,000 convertible unsecured debentures [the "Convertible Debentures"] of the Company at a price per Unit of $1.75 for gross proceeds of $13,800,034 and a price per Convertible Debenture of $1,000.00 for gross proceeds of $15,000,000, for total gross proceeds of $28,800,034 [the "Offering"] or total net proceeds of $26,572,032 after deducting the Underwriters' fees of $1,728,002 and the expenses of the Offering estimated to be $500,000;

- on October 24, 2017, the Board of Directors approved the construction of a greenhouse facility on the newly acquired lands in Paris, Ontario. The Company intends to break ground in the second quarter of 2018 and to execute on the design and build of its new facility which is expected to be comprised of up to approximately 120,000 square feet of greenhouse space and 50,000 square feet of infrastructure space. Once operating at an optimal level, the Company expects the Paris Road Expansion to provide up to an additional 15,000 kilograms of annual production capacity;

- received the necessary permits from the County of Brant in November 2017 and commenced construction on a new 30,000 square foot building to facilitate the expansion of its campus at 20 Woodslee Avenue in Paris, Ontario. Emblem expects the facility to be commissioned in June 2018. This new building will accommodate:
  - a 10,000 square foot GMP extraction facility, laboratory and pharmaceutical production facility;
  - a Level 9 vault;
  - materials handling, shipping and receiving to support increased cannabis production; and
  - administrative space to support both cannabis production as well as extraction and pharmaceutical production;

- announced the appointment of Nick Dean as the Company's new Chief Executive Officer and President, which takes effect on December 1, 2017. Nick brings more than twelve (12) years of consumer marketing and leadership experience to Emblem's dedicated team, including extensive work with highly respected pharmaceutical and healthcare brands as well as significant retail brands, including the LCBO. Most recently he worked with KBS Canada, a fully integrated creative agency with offices in Toronto and Montreal, where he led the company through two mergers and a number of substantial client wins, resulting in significant bottom and top-line growth; and

- announced the CL Agreement with Canntab for a patent-pending oral sustained release formulation for cannabinoids that Canntab has developed. Under the CL Agreement, Emblem and Canntab will collaborate on the preclinical formulation, clinical development, regulatory approval, manufacturing and commercialization of the sustained release product. The CL Agreement grants to Emblem the exclusive right in Canada to Canntab's patents and know-how for the purpose of developing, commercializing, using, selling, and offering the sustained release product for sale under the Emblem brand.

Proceeds of 2017 Q1 Special Warrant Offering

Until the week of October 23, 2017, none of the proceeds from the 2017 Q1 offering of special warrants ["Special Warrant Offering"] had been used to finance the Company's operations. The Company had funds on hand at January 31, 2017 of $24.3 million which were sufficient to fund the Company's operations until the week of October 23rd, 2017 during which payments of approximately $1.8 million were made. The payments were primarily related to construction and related fees incurred by the Company.

Since January 31, 2017, the Company increased the scope of the capital program with respect to the Woodslee Avenue facility compared to what had been planned in January 2017. As a result of the increased scope of the capital program, the Company has been required to utilize additional funds. First, in January 2017, planned renovations of the grow rooms were still in progress and construction of the planned laboratory had not yet begun. As the development proceeded and the architects and engineers finalized plans, it became apparent that the costs associated with the renovation of the grow rooms had been underestimated. In addition, the Company determined that the laboratory and pharmaceutical facility needed to be scaled up from the proposed 5,000 square feet to 10,000 square feet. The Company also determined that the processing space in the Woodslee Avenue facility was inadequate to process the additional 1,300 to 1,400 kilograms of cannabis coming out of the new grow rooms. As a result of these developments, the Company altered its plan to renovate the 5,000 square foot Woodslee building and elected to build a 30,000 square foot building beside 20 Woodslee Avenue to house the expanded laboratory and pharmaceutical facility and to provide additional processing space for the increased cannabis production.

At the time of the preparation of the 2017 Q1 Management's Discussion and Analysis, the cost to complete the Phase 2 grow rooms was estimated at $5.0 million, the cost of the more recently conceived 30,000 square foot building was estimated at $7,000,000, and the Company expected to complete a contract with respect to pharmaceutical formulation with milestone payments totaling $1.0 million by year end. Further, based on its forecast sales and expenses the Company estimated its working capital requirements through the end of 2017 at $4.5 million or $0.5 million per month.

As a result of the increased scope of the capital program, the Company has been required to utilize additional funds for the capital program, including:

(a) increased costs associated with the Phase 2 Grow Rooms;
(b) increased costs associated with an increase of the size of the Company's extraction facility, laboratory and pharmaceutical production facility from 5,000 square feet to 10,000 square feet; and
(c) increased costs associated with the decision of the Company to alter its plan to renovate the 5,000 square foot Woodslee Avenue facility in order to build a 30,000 square foot building beside 20 Woodslee to house the expanded laboratory and pharmaceutical facility and to provide additional processing space for the increased cannabis production.

SELECTED FINANCIAL INFORMATION

This section provides detailed financial information and analysis about the Company's performance for the three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016. The selected financial information set out below may not be indicative of the Company's future performance.

Review of financial results

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change		2017	2016	Change	
	$	$	$	%	$	$	$	%
Revenue	592,943	29,250	563,693	1927%	2,034,692	38,250	1,996,442	5219%
Cost of sales	1,387,555	367,556	1,019,999	278%	3,881,338	737,136	3,144,202	427%
Unrealized gain from changes in fair value of biological assets	(844,491)	(378,612)	(465,879)	123%	(1,807,428)	(763,496)	(1,043,932)	137%
Gross profit (loss)	49,879	40,306	9,573	24%	(39,218)	64,610	(103,828)	(161%)
Expenses								
General and administrative	934,026	402,040	531,986	132%	3,161,323	1,132,687	2,028,636	179%
Research and development	114,334	233,991	(119,657)	(51%)	312,594	625,984	(313,390)	(50%)
Selling and marketing	885,434	203,493	681,941	335%	2,358,688	512,135	1,846,553	361%
Depreciation	277,305	173,408	103,897	60%	770,685	468,318	302,367	65%
Stock-based compensation	562,410	119,332	443,078	371%	1,457,062	285,990	1,171,072	409%
Advances to associate	—	169,676	(169,676)	(100%)	—	406,963	(406,963)	(100%)
Loss before the following	(2,723,630)	(1,261,634)	(1,461,996)	116%	(8,099,570)	(3,367,467)	(4,732,103)	141%
Interest expense, net	48,226	250,838	(202,612)	(81%)	164,672	674,884	(510,212)	(76%)
Other (income) expense	39,976	25,000	14,976	60%	(2,324)	125,000	(127,324)	(102%)
Change in fair value of financial instruments	—	4,425,303	(4,425,303)	(100%)	—	4,425,303	(4,425,303)	(100%)
Dividend on Class A preferred shares	—	(424,643)	424,643	(100%)	—	—	—	100%
Net loss and comprehensive loss	(2,811,832)	(5,538,132)	2,726,300	(49%)	(8,261,918)	(8,592,654)	330,736	(4%)
Basic and diluted loss per ordinary share	(0.03)	(0.14)	0.11	(77%)	(0.10)	(0.31)	0.21	(68%)
Weighted average number of ordinary shares outstanding	85,216,572	38,867,197	46,349,375	119%	83,756,492	27,572,414	56,184,078	204%
Adjusted EBITDA[1]	(1,923,891)	(993,894)	(929,997)	94%	(5,869,499)	(2,738,159)	(3,131,340)	114%

[1]This is a non-IFRS financial measure and does not have a standard meaning under IFRS. Please refer to the Non-GAAP Measures section of this MD&A for further details.

Summary

As outlined above and detailed below, Emblem's financial performance in the first nine months of 2017 was significantly different from the comparable period of 2016. In the first nine months of 2016, Emblem was a private company that had just begun to grow and harvest cannabis. Consequently, both revenue and expenses were much lower in 2016 as compared to 2017. In July 2016, Emblem received the amendment to its Licence permitting it to sell cannabis to registered medical patients and in the following month ECC sold its first dried flower to another Licensed Producer. In November 2016, with its website and customer service group operational, Emblem began selling to registered medical patients. In anticipation of this sales activity, Emblem hired marketing, sales and fulfillment staff in the second and third quarter of 2016. The Company's $38,250 of revenue in the first nine months of 2016 was generated from the sale of clippings and dried flower to another Licensed Producer and at the time it had limited sales, marketing or fulfillment staff nor did it have any investor relations or significant governance costs as it was a private company.

By the beginning of 2017 the Company had evolved. Emblem completed its qualifying transaction in December 2016 and became a public company. In preparation for becoming a public company, Emblem hired a Chief Financial Officer, Controller and Investor Relations Director in the second quarter of 2016. On the administrative side, Emblem hired a Human Resource Manager and additional accounting staff while a further four individuals were hired to staff its cannabis oils laboratory and production operation. With its Phase 2 Grow Room expansion under construction in the first quarter of 2017, Emblem retained Mr. Nate Nienhuis to lead its cannabis production division, as well as other cultivation and quality assurance personnel.

Accordingly, while revenue increased by $1,996,442 in the nine months ended September 30, 2017 to $2,034,692 and the unrealized gain on biological assets also improved by $1,043,932 to $1,807,428, gross profit (loss) declined to a gross loss of $39,218 in 2017 from a gross profit of $64,610 in 2016, due to higher cost of sales as production ramped up. Emblem's net loss and comprehensive loss was nearly unchanged at $8,261,918 for the nine months ended September 30, 2017 as compared to $8,592,654 in 2016. However, after adjusting for a non-recurring $4,425,303 charge in 2016 related to the change in fair value of financial instruments, the net loss in 2017 was $4,094,567 higher than in 2016 primarily due to higher general and administrative expenses, selling and marketing and stock-based compensation.

Emblem expects that its net loss will decrease marginally in the fourth quarter of 2017 and further improve in the first half of 2018 with a total of five grow rooms being fully operational and with the sale of cannabis oils to qualified patients coming on line.

Revenue

Revenue for the third quarter of 2017 was $592,943 compared to $29,250 in the third quarter of 2016. ECC received its Licence from Health Canada to sell medical cannabis under the predecessor to the ACMPR on July 27, 2016 and completed its first product sale in August 2016. During the third quarter of 2017, sales to registered patients generated revenues of $438,304 with 50.8 kilograms sold at an average selling price of $8.63 per gram. Strains sold during the quarter were priced between $7.00 and $12.00 per gram before discounts. GrowWise education fee revenue from other Licensed Producers totaled $146,948.

Revenue for the nine months ended September 30, 2017 was $2,034,692 compared to $38,250 in the same period of 2016. Total product sold for the first nine months of 2017 was 249.4 kilograms at an average selling price of $8.14 per gram to patients and $4.02 per gram to other Licensed Producers. Revenue from registered patients totaled $1,297,191 while sales to Licensed Producers contributed $362,100. Strains sold during the period were priced between $7.00 and $12.00 per gram before discounts. GrowWise education fee revenue from other Licensed Producers totaled $326,204.

During the first nine months of the year, the Company's active registered patient count increased by approximately 2,100 patients to a total of 2,300, as compared to December 31, 2016. Patient acquisition was robust in the first quarter but remained relatively flat in the second quarter as product shortages of high demand strains resulted in the Company not accepting any new patients for approximately three months. After reopening patient registration on July 19, patient growth resumed and the Company now has approximately 2,600 patients as of the date of this MD&A.

Revenue from registered patient sales increased by 10% quarter over quarter from $398,260 in the second quarter of 2017 to $438,304 in the third quarter as the average selling price increased from $7.39 per gram in the second quarter to $8.63 in the third quarter.

Net cost of sales

Included in net cost of sales are the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. Cost to sell include processing, testing, packaging and related costs. At harvest, the biological assets are transferred to inventory at their fair value less costs to sell which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct and indirect production costs such as real estate taxes, quality assurance, insurance, security and inventory management are expensed through cost of sales.

Emblem expects net cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the quarter.

Net cost of sales for the three months ended September 30, 2017 and 2016 were $543,064 and ($11,056), respectively, and includes a recovery relating to the unrealized gain from changes in the fair value of biological assets of $844,491 for the third quarter of 2017 and $378,612 for the same period in 2016. The increase in net cost of sales is primarily due to higher operational costs as the Company ramped up production staff in advance of the completion of three Phase 2 Grow Rooms in September.

Net cost of sales for the nine months ended September 30, 2017 and 2016 were $2,073,910 and ($26,360), respectively, and includes a recovery relating to the unrealized gain from changes in the fair value of biological assets of $1,807,428 for the first nine months of 2017 and $763,496 for the same period in 2016. The increase in net cost of sales is primarily due to the nil value attributed to cannabis flower designated for oil production as well as higher operational costs as the Company ramped up operations.

As at September 30, 2017 the Company had 2,364 plants growing in the flowering and vegetation rooms of its facilities, a portion of which were harvested subsequent to the quarter end. These plants are expected to produce approximately 317 kilograms of dried cannabis flower. In addition to its finished goods and work in progress inventories, the Company has produced and has on hand approximately 148 kilograms of dried cannabis flower which has been designated for cannabis oil production. As the Company had not yet received a licence from Health Canada for the sale of cannabis oil as at September 30, 2017, all cannabis flower that was produced and designated for oil production was valued at nil. On November 3, 2017, the Company was granted a licence by Health Canada to sell cannabis oils to qualified patients.

Gross profit (loss)

Gross profit for the third quarter of 2017 was $49,879 compared to a gross profit of $40,306 for the same period in 2016, an increase of $9,573 or 24%. Gross profit (loss) includes unrealized gain from changes in biological assets which was $844,491 in the third quarter of 2017 compared to $378,612 during the same period in 2016. The decrease in gross profit is attributable to a higher net cost of sales, as outlined above, partially offset by higher revenues in the current year period.

Gross loss for the nine months ended September 30, 2017 was $39,218 compared to a gross profit of $64,610 for the same period in 2016, a decrease of $103,828 or 161%. Gross profit (loss) includes unrealized gain from changes in biological assets which was $1,807,428 in the nine months ended September 30, 2017 compared to $763,496 during the same period in 2016. The reasons for the increase for the nine-month period are consistent with the reasons outlined for the three-month period.

The Company expects that gross profit will increase in the fourth quarter of 2017 and further improve in the first half of 2018 with a total of five (5) grow rooms being fully operational and with the sale of cannabis oils to qualified patients coming on line.

Expenses

General and administrative

Material components of general and administrative expenses for the three and nine months ended September 30, 2017 and 2016 were:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2017	2016	Change		2017	2016	Change	
	$	$	$	%	$	$	$	%
Salaries and benefits	429,843	233,592	196,251	84%	1,049,969	530,806	519,163	98%
Consulting expense	68,855	10,273	58,582	570%	193,501	33,333	160,168	481%
Investor and shareholder relations	177,803	31,194	146,609	470%	415,206	40,758	374,448	919%
Office and administration	76,051	47,822	28,229	59%	368,480	121,817	246,663	202%
Education fees	(80,009)	—	(80,009)	100%	—	—	—	100%
Professional fees	136,491	36,200	100,291	277%	801,319	278,955	522,364	187%
Rent	94,728	26,254	68,474	261%	223,659	83,707	139,952	167%
Travel and accomodation	30,264	16,705	13,559	81%	109,189	43,311	65,878	152%
	934,026	402,040	531,986	132%	3,161,323	1,132,687	2,028,636	179%

General and administrative expenses were $934,026 and $402,040 for the three months ended September 30, 2017 and 2016 respectively, an increase of $531,986 or 132%. The increase is primarily due to an increase in administration personnel both at the Paris facility and the Company's Toronto head office as well as increased costs for investor and shareholder relations (including costs associated with annual general meeting held in August 2017), consulting, professional fees, audit and legal services as the Company transitioned from a private developmental business in the first nine months of 2016 to a fully operational public company by the end of 2016. During the third quarter of 2017, $80,009 of education fees paid by GrowWise to third party clinics for the six months ended June 30, 2017 were reclassified from general and administrative expenses to selling and marketing. After giving effect to the reclassification, the consolidation of GrowWise accounted for $76,896 of the increase for the quarter.

General and administrative expenses were $3,161,323 and $1,132,687 for the nine months ended September 30, 2017 and 2016 respectively, an increase of $2,028,636 or 179%. The reasons for the increase for the nine-month period is consistent with the reasons outlined for the three-month period.

Research and development

Research and development costs for the three months ended September 30, 2017 were $114,334 compared to $233,991 during the same period in 2016, a decrease of $119,657 or 51%. Similarly, research and development costs for the nine months ended September 30, 2017 declined from $625,984 in 2016 to $312,594 in 2017, representing a $313,390 or fifty percent (50%) reduction. The decrease is due to the development and testing of a lower number of strains of cannabis during the current year periods, as the Company's genetics program focuses on several optimal strains. The decline in development costs related to cannabis was offset to an extent by higher development costs related to cannabis oil development during the three and nine month periods. With the receipt of its oil sales licence, research and development expense is expected to decline as costs will shift into cost of sales.

Selling and marketing

Selling and marketing costs for the third quarter of 2017 were $885,434 compared to $203,493 during the same period in 2016, an increase of $681,941 or 335%. The increase is primarily attributable to the commencement of sales to registered patients in November 2016 which required increased sales and marketing personnel and an increase in marketing and sales related expenses. The consolidation of GrowWise's operating results in 2017 accounted for $300,200 of the increase for the quarter, inclusive of the reclassification from general and administrative expenses, and the Company also expensed $61,783 for 30,435 common shares issued in connection with the granting of an exclusive licence pursuant to a white label agreement.

Selling and marketing costs for the nine months ended September 30, 2017 were $2,358,688 compared to $512,135 during the same period in 2016, an increase of $1,846,553 or 361%. The reasons for the increase for the nine-month period are consistent with the reasons outlined for the three-month period.

Depreciation

Depreciation expense for the third quarter of 2017 was $277,305 compared to $173,408 during the same period in 2016, an increase of $103,897 or 60%. The increase was the result of additions made to depreciable property, plant and equipment since September 30, 2016.

Depreciation expense for the nine months ended September 30, 2017 was $770,685 compared to $468,318 during the same period in 2016, an increase of $302,367 or 65%. The increase was the result of additions made to depreciable property, plant and equipment since September 30, 2016.

Stock-based compensation

Stock-based compensation for the third quarter of 2017 was $562,410 compared to $119,332 during the same period in 2016, an increase of $443,078. Stock-based compensation is valued using the Black-Scholes valuation model and represents a non-cash expense. The increase is due to the granting of 3,275,000 stock options and 300,000 restricted shares since the second quarter of 2016.

Stock-based compensation for the nine months ended September 30, 2017 was $1,457,062 compared to $285,990 during the same period in 2016, an increase of $1,171,072 resulting from the additional stock options and restricted shares granted.

Advances to associate

The Company has a fifty percent (50%) equity interest in GrowWise which was being accounted for using the equity method of accounting until acquisition of control on October 31, 2016. During the third quarter of 2016, the Company advanced $169,676 to GrowWise. As the investment was determined to be not recoverable, this amount was written off.

During the nine months ended September 30, 2016, the Company advanced $531,847 to GrowWise. As the investment was determined to be not recoverable, an amount of $406,963 was expensed while $124,884 was applied against a provision.

Interest expense, net

Net interest expense for the third quarter of 2017 was $48,226 compared to $250,838 during the same period in 2016, a decrease of $202,612 or 81%. The decrease was primarily the result of a lower interest rate on the Company's long-term debt which was re-financed in December 2016, lower amortization of transaction costs and an increase in interest income from significant cash balances during 2017. Cash interest paid and expensed on the long-term debt was $110,000 for the third quarter of 2017.

Net interest expense for the nine months ended September 30, 2017 was $164,672 compared to $674,884 during the same period in 2016, a decrease of $510,212 or 76%. The reasons for the decrease for the nine-month period are consistent with the reasons outlined for the three-month period.

Other (income) expense

Other (income) expense for the three and nine months ended September 30, 2017 was $39,976 and ($2,324) respectively. The expense for the quarter primarily consists of a forfeited deposit for a construction contract that was cancelled. The income for the nine months is the result of a decrease in the liability related to the Option Agreement with White Cedar to acquire White Cedar's fifty percent (50%) interest in GrowWise, mostly offset by the expense for the third quarter. The liability to White Cedar was re-measured to $1 at June 30, 2017 [December 31, 2016 - $42,301] to reflect a revised agreement, executed in the second quarter, that sets the purchase price under the Option Agreement to $1 if the net book value of GrowWise is less than zero when the option is exercised.

Dividend on Class A preferred shares

The Company expensed accrued dividends on Class A preferred shares of $424,643 in the six months ended June 30, 2016. On August 18, 2016, all outstanding Class A preferred shares were converted into common shares. In connection with this conversion, the holders of the Class A preferred shares also surrendered their rights for any dividend that was accrued and unpaid as at the date of conversion resulting in the reversal of previously accrued dividends in the third quarter of 2016.

Net loss and comprehensive loss

Net loss and comprehensive loss for the third quarter of 2017 was $2,811,832 compared to $5,538,132 during the same period in 2016, a decrease of $2,726,300 or 49%. The decrease year over year is primarily due to a $4,425,303 charge in 2016 related to the change in fair value of financial instruments, partially offset by higher costs in 2017 attributable to the ramp up of operations and additional corporate overhead costs associated with being a public company.

Net loss and comprehensive loss for the nine months ended September 30, 2017 was $8,261,918 compared to $8,592,654 during the same period in 2016, a decrease of $330,736 or 4%. The reasons for the increase for the nine-month period is consistent with the reasons outlined for the three-month period.

Loss per ordinary share

Basic loss per ordinary share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares [the "Common Shares"] and special non-voting shares [the "Special Non-Voting Shares"] of the Company outstanding during the period. Diluted loss per ordinary share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive securities. The weighted average number of Common Shares used as the denominator in calculating diluted loss per share excludes un-issued Common Shares related to stock options and warrants as they are anti-dilutive. Basic and diluted loss per share for the three and nine months ended September 30, 2017 was $0.03 per share and $0.10 per share, respectively (2016: $0.14 and $0.31 per share). Weighted average ordinary shares outstanding are higher during the current year periods due to the equity financings completed since the third quarter of 2016. Higher shares outstanding result in lower basic and diluted losses per ordinary share.

Non-GAAP Measures

In addition to discussing earnings measured in accordance with IFRS, this MD&A provides adjusted EBITDA. The Company calculates adjusted EBITDA as net loss, plus interest expense, net, plus depreciation, plus stock-based compensation, minus unrealized gain from changes in fair value of biological assets, plus fair value adjustment to cost of sales, plus change in fair value of financial instruments, plus dividends on Class A preferred shares, as determined by management. Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes for public companies in the Company's industry.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Net loss	(2,811,832)	(5,538,132)	(8,261,918)	(8,592,654)
Interest expense, net	48,226	250,838	164,672	674,884
Depreciation	277,305	173,408	770,685	468,318
Stock-based compensation	562,410	119,332	1,457,062	285,990
Unrealized gain from changes in fair value of biological assets	(844,491)	(378,612)	(1,807,428)	(763,496)
Fair value adjustment to cost of sales	844,491	378,612	1,807,428	763,496
Change in fair value of financial instruments	—	4,425,303	—	4,425,303
Dividend on Class A preferred shares	—	(424,643)	—	—
Adjusted EBITDA	**(1,923,891)**	**(993,894)**	**(5,869,499)**	**(2,738,159)**

REVIEW OF FINANCIAL CONDITION AS AT SEPTEMBER 30, 2017

Summary Balance Sheet

	As at September 30, 2017	As at December 31, 2016	Change	Change
	$	$	$	%
Assets				
Cash and cash equivalents	**16,628,842**	26,202,542	(9,573,700)	(37%)
Trade and other receivables	**1,528,095**	417,440	1,110,655	266%
Inventory and biological assets	**2,089,590**	872,622	1,216,968	139%
Other current assets	**283,220**	256,644	26,576	10%
Property, plant and equipment, including deposits	**27,323,890**	10,147,680	17,176,210	169%
Total Assets	**47,853,637**	37,896,928	9,956,709	26%
Liabilities and shareholders' equity				
Trade and other payables	**3,710,879**	2,295,673	1,415,206	62%
Other current liabilities	**600,000**	659,690	(59,690)	(9%)
Long-term debt	**5,372,663**	5,334,613	38,050	1%
Total liabilities	**9,683,542**	8,289,976	1,393,566	17%
Total shareholders' equity	**38,170,095**	29,606,952	8,563,143	29%
	47,853,637	37,896,928	9,956,709	26%

Total assets

Total assets at September 30, 2017 were $47,853,637 compared to $37,896,928 at December 31, 2016, an increase of $9,956,709 or 26%. The increase is primarily due to the following:

- Property, plant and equipment and equipment deposits increased by $17,176,210 primarily due to the $7,931,419 acquisition of land on which to expand production as well as construction costs related to expanding the current facility.
- Cash and cash equivalents decreased by $9,573,700 due to the above noted capital expenditures on property, plant and equipment and cash flows used in operating activities as the Company ramps up operations. These items were partially offset by the equity financing done during the first quarter of 2017.
- Trade and other receivables increased by $1,110,655 due primarily to delays in receiving harmonized sales tax credits from the Canada Revenue Agency. In October and November 2017, $922,653 of sales tax refunds were received.

Total liabilities

Total liabilities of the Company at September 30, 2017 were $9,683,542 compared to $8,289,976 at December 31, 2016, an increase of $1,393,566 or 17%. The increase is primarily due to construction related invoices received during the quarter but not paid until subsequent to the quarter end.

Borrowings

During the year ended December 31, 2016, the Company issued a promissory note in the amount of $5,500,000. The note is secured by, among other things: (i) a first ranking mortgage on the real property on which the Company's production facility is located; (ii) a general security agreement granted by Emblem and ECC; (iii) a pledge of all of the shares of ECC and GrowWise that are owned by Emblem; and (iv) a guarantee from each of ECC and GrowWise. Interest-only payments at a rate of 8% per annum are due monthly. The promissory note is repayable in full on December 12, 2019. The Company has an option to repay in full on December 12, 2018.

For the nine months ended September 30, 2017, the Company paid $330,000 in interest on the promissory note. The period over period change in long-term debt of $38,050 represents the amortization of issuance costs using the effective interest rate method.

Liquidity and capital resources

The Company's cash and cash equivalents totalled $16,628,842 at September 30, 2017 compared to $26,202,542 at December 31, 2016. In addition to its cash balance, the Company can currently accelerate the exercise of certain "in-the-money" warrants outstanding. Assuming the exercise of such warrants in response to the Company effecting the acceleration thereof, such an acceleration may provide the Company with approximately $12 million of additional funding and result in a pro-forma cash and cash equivalents balance of $28.6 million as at September 30, 2017.

Assuming exercise of the aforementioned warrants, the Company is fully funded with respect to the following estimated capital expenditures and forecast cash required for operating activities: (i) $2 million remaining capital expenditure on its Phase 2 Grow Room capacity increase; (ii) $12.5 million planned capital expenditure to build a 30,000 square foot building on its 20 Woodslee Avenue property to house a 10,000 square foot derivatives laboratory and cannabis oils and pharmaceutical production facility as well as to provide additional space for operational and administrative functions; and (iii) cash used in operating activities of approximately $3 million for the remaining three months of 2017.

On November 16, 2017, the Company closed the Offering whereby Eight Capital and a syndicate of underwriters purchased 7,885,734 Units and 15,000 Convertible Debentures at a price per Unit of $1.75 for gross proceeds of $13,800,034 and a price per Convertible Debenture of $1,000.00 for gross proceeds of $15,000,000, for total net proceeds of $26,572,032 after deducting the Underwriters' fees of $1,728,002 and the expenses of the Offering estimated to be $500,000 (before disbursements and taxes thereon). After the closing, Emblem had approximately $41 million of cash and cash equivalents available to operate and invest in its business.

It is currently expected that ninety percent (90%) of the net proceeds from the Offering will be allocated to partially fund a portion of the planning, design, development, construction and implementation of the Paris Road Expansion. Based on an estimate from a third-party consultant relying on preliminary planning and design criteria, the project is expected to cost approximately $45 to $55 million which includes site preparation, architectural and other consultants, permitting fees, a Level 10 vault, all fixtures and equipment including automated packaging equipment and a contingency of approximately $5 million. Management is reviewing this estimate and conducting a value engineering process to identify optimization opportunities. Although no specific investments are currently contemplated, it is expected that approximately ten percent (10%) of the net proceeds will be invested in, among other things, medical marijuana related technologies, seeds, clinical trials, genetics and research and development initiatives or other infrastructure, all within the industry.

Cash Flow

	For the nine months ended September 30,			
	2017	**2016**	**Change**	**Change**
	$	**$**	**$**	**%**
Cash used in operating activities	(8,924,700)	(3,076,516)	(5,848,184)	190%
Cash provided by financing activities	14,963,824	8,076,818	6,887,006	85%
Cash used in investing activities	(15,612,823)	(1,593,368)	(14,019,455)	880%

Cash flows from operating activities

For the nine months ended September 30, 2017, cash flows used in operating activities were $8,924,700 compared to $3,076,516 for the comparable period in 2016, an increase in cash used of $5,848,184 or 190%. The increase in cash flow used in operations is due to the significant ramp up of operating activities and headcount as well as governance and investor relations cost associated with being a public company. Cash flows from operating activities are expected to improve once cannabis becomes available from the Phase 2 Grow Rooms in December 2017 and the Company commences the sale of cannabis oils in December 2017.

Cash flows from financing activities

For the nine months ended September 30, 2017, cash flows provided by financing activities were $14,963,824 compared to $8,076,818 for the comparable period in 2016, an increase in cash of $6,887,006 or 85%. The increase in cash provided by financing activities is primarily due to higher cash proceeds from private placements during the current year period. On January 31, 2017, the Company closed an underwritten private placement of 4,385,668 special warrants at a price of $3.63 per special warrant for net proceeds of $14,440,810. In June 2016, the Company completed a private placement for 5,825,600 units at a price of $0.50 per unit for net proceeds of $2,713,894 and in September 2016, the Company completed a private placement for 6,740,164 units at a price of $0.75 per unit for net proceeds of $4,842,646.

Cash flows from investing activities

For the nine months ended September 30, 2017, cash flows used in investing activities were $15,612,823 compared to $1,593,368 for the comparable period in 2016, an increase in cash used of $14,019,455 or 880%. The increase is primarily due to the purchase of land for approximately $7.9 million, the construction of three Phase 2 Grow Rooms and to a lesser extent, equipment purchased for the derivatives laboratory and cannabis oil production.

Share capital

The Company's authorized share capital consists of an unlimited number of Common Shares, an unlimited number of non-voting preferred shares and an unlimited number of Special Non-Voting Shares of which 79,333,381 Common Shares, no preferred shares and 14,065,285 Special Non-Voting Shares are issued and outstanding as of the date of this MD&A.

Other securities issued and outstanding as of the date of this MD&A are as follows:

	Outstanding	Exercisable
	#	#
Common share purchase warrants	39,431,719	39,431,719
Restricted shares	300,000	-
Stock options	6,508,333	1,823,332
Convertible debentures	7,692,308	7,692,308
	53,932,360	48,947,359

QUARTERLY INFORMATION

The following table summarizes selected financial information (unaudited) for the eight most recently completed quarters:

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
	$	$	$	$	$	$	$	$
Revenue	592,943	538,475	903,274	238,657	29,250	-	9,000	-
Expenses	3,404,775	3,492,815	3,399,020	9,034,647	5,567,380	1,691,832	1,371,694	1,306,326
Net loss	(2,811,832)	(2,954,340)	(2,495,746)	(8,795,990)	(5,538,130)	(1,691,832)	(1,362,694)	(1,306,326)
Basic and diluted loss per ordinary share	(0.03)	(0.03)	(0.04)	(0.13)	(0.14)	(0.11)	(0.06)	(0.06)

OFF BALANCE SHEET ARRANGEMENTS

Emblem has no off-balance sheet arrangements except for the commitments referred to in the Company's Annual MD&A for the year ended December 31, 2016 and note 8 to the September 30, 2017 condensed interim consolidated financial statements.

TRANSACTIONS WITH RELATED PARTIES

Prior to the acquisition of GrowWise, all transactions with GrowWise were related party transactions. Details of these transactions are discussed in note 9 to the September 30, 2017 condensed interim consolidated financial statements.

Due from related parties includes $43,184 receivable from an officer of the company and $8,909 receivable from White Cedar and its parent company.

RISK FACTORS

Investors should carefully consider the risk factors set out below, together with those included in the Company's amended and restated short form prospectus dated November 15, 2017 and in the Company's annual information form for the year ended December 31, 2016 under the heading "Risk Factors" and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks below are not an exhaustive description of all the risks associated with production and sale of cannabis. Additional risks and uncertainties, including those that the Company is unaware of or that are currently deemed immaterial, may also adversely affect the Company and its business.

Governmental regulation

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of medical marijuana, and also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licences to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that there are changes to the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way, the Company's revenues may be adversely affected.

Changes in laws, regulations and guidelines

On August 11, 2016, Health Canada announced the new ACMPR which came into force on August 24, 2016, replacing the *Marihuana for Medical Purposes Regulations* ["MMPR"] as the regulations governing Canada's medical cannabis program. The ACMPR was implemented as a result of the February 2016 Federal Court case of *Allard v Canada* ["Allard"] (2016 FC 236). In Allard the court found the MMPR to be unconstitutional and of no force and effect, but suspended its declaration of invalidity for six (6) months in order to give the federal government time to respond.

As per Health Canada's statement and corresponding fact sheet released on August 11, 2016, the ACMPR allows Canadians who have been authorized by their health care practitioner, and who are registered with Health Canada, to produce a limited amount of medical marijuana for their own medical purposes, or to designate someone who is registered with Health Canada to produce it for them. Starting materials such as plants or seeds are to be obtained from Licensed Producers only. Individuals will also continue to have the option to purchase quality controlled medical marijuana from Licensed Producers such as the Company. It is possible that such developments could significantly reduce the addressable market for the Company's products and materially and adversely affect the business, financial condition and results of operations of the Company.

On June 30, 2016, the federal government established the Task Force of Cannabis Legalization and Regulation [the "Task Force"] to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On December 13, 2016, the Task Force completed its review and published a report outlining its recommendations. Several recommendations from the Task Force including, but not limited to, permitting home cultivation, potentially easing barriers to entry into a Canadian recreational marijuana market and restrictions on advertising and branding, could materially and adversely affect the business, financial condition and results of operations of the Company.

On April 13, 2017, the federal government introduced the Cannabis Act, which creates a legal framework for controlling the production, distribution, sale and possession of cannabis in Canada. While the Cannabis Act remains subject to parliamentary approval and royal assent, the federal government expects that the Cannabis Act will become law by July 2018.

On October 5, 2017, the Parliamentary Standing Committee on Health (the "HESA") proposed amendments to the Cannabis Act to provide, among other things, that edibles containing cannabis and cannabis concentrates would be added to the classes of cannabis an authorized person may sell. In addition, HESA's proposed amendments provide that a framework for sale of edibles and cannabis concentrates would be implemented within a year of the Cannabis Act coming into force. Notwithstanding the foregoing, the adoption of the proposed amendments is uncertain as parliament will vote on the inclusion of the proposed amendments into the Cannabis Act and, following such a determination, the Cannabis Act will undergo a third reading before parliament before proceeding to the senate.

Although draft regulations to the Cannabis Act were circulated on November 21, 2017, the impact of the proposed legislative framework on the regulation of Canada's medical cannabis market continues to remain unclear.

Reliance on facility

The Company's activities and resources are focused on the Company's facility in Paris, Ontario. The Licence held by the Company is specific to this facility. Adverse changes or developments affecting the facility, including but not limited to a breach of security, could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on the Company's ability to continue operating under the Licence or the prospect of renewing the Licence.

The facility continues to operate with routine maintenance however the building does have components that require replacement or repair. The Company owns its facility and is responsible for all of the costs of maintenance and upkeep. The Company's operations and financial performance may be adversely affected if the Company is unable to keep up with maintenance requirements.

Reliance on licence renewal

The Company's ability to grow, store and sell medical marijuana in Canada is dependent on its Licence from Health Canada. Failure to comply with the requirements of the Licence or any failure to maintain this Licence would have a material adverse impact on the business, financial condition and operating results of the Company. The Licence expires July 26, 2019. Although management believes it will meet the requirements of the ACMPR for extension of the Licence, there can be no guarantee that Health Canada will extend or renew the Licence or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence, or should it renew the Licence on different terms or not provide the amendments as requested for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected. Pursuant to the Licence, the Company is currently only permitted to produce and sell cannabis flower. In the event that the desired amendments to the Licence to authorize the Company to sell or distribute cannabis oil or any other derivative products are not granted, the Company's ability to expand the scope of its operational activities as anticipated would not be achieved and could have a material adverse effect on the Company.

Competition

There is potential that the Company will face intense competition from other companies, some of which have longer operating histories and more financial resources and production and marketing experience than the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

A significant number of Common Shares are owned by a limited number of existing shareholders

The Company's management and directors own a substantial number of the Company's outstanding Common Shares and Special Non-Voting Shares (on a fully diluted basis). As such, the Company's management, directors and employees, as a group, are in a position to exercise significant influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions. As well, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders.

Reputational risk to third parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical marijuana business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Risk factors related to expansion

The success of certain contemplated capital expenditures will require Health Canada approval, including cultivation at the Paris Road Expansion. There is no guarantee that Health Canada will approve the contemplated capital expenditures in a timely fashion, nor is there any guarantee that the expansion will be completed in its currently proposed form, if at all. The failure of the Company to successfully execute its expansion strategy, including the Paris Road Expansion (including receiving the expected Health Canada approvals in a timely fashion) could adversely affect the business, financial condition and results of operations of the Company.

Conflicts of interest

Certain directors and officers are directors and/or officers or hold interest in other companies involved in the same or similar businesses to the Company and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the Company's governing corporate law statute which requires a director of a corporation who is a party to, or is a director or an officer of, or has some material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under such legislation.

Permits and licences

In addition to the Licence, the operations of the Company require licences and permits from various governmental authorities. The Company currently has all licences and permits that it believes are necessary to carry on its business. The Company may require additional licences or permits in the future and there can be no assurance that the Company will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licences and permits will be renewable if and when required or that such existing licences and permits will not be revoked.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Risks Inherent in an Agricultural Business

The Company's business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks.

Restrictions on Additional Debt

Subject to certain exceptions set forth in the indenture [the "Debenture Indenture"] governing the Convertible Debentures, the Company and its subsidiaries are restricted from incurring or assuming additional indebtedness or creating, assuming or permitting to exist any lien or encumbrance on any assets or property of the Company or its subsidiaries without the prior written consent of the holders of not less than two-thirds (2/3) of the outstanding aggregate principal amount of the
Convertible Debentures, which consent will not be unreasonably withheld, conditioned or delayed. In addition, other than pursuant to certain limited exceptions set forth in the Debenture Indenture, for so long as any Convertible Debentures remain outstanding, and subject to obtaining the requisite consent of the holders of not less than two-thirds (2/3) of the outstanding aggregate principal amount of the Convertible Debentures, any additional debentures issued under the Debenture Indenture or any additional indebtedness incurred by the Company or its subsidiaries will be required to be specifically subordinated to the Convertible Debentures.

SUBSEQUENT EVENTS

On October 3, 2017, the Company announced that it had entered the CL Agreement with Canntab. Canntab has developed a patent-pending oral sustained release formulation for cannabinoids [the "Sustained Release Product" or the "Product"]. Under the CL Agreement, Emblem and Canntab will collaborate on the preclinical formulation, clinical development, regulatory approval, manufacturing and commercialization of the Sustained Release Product. The CL Agreement calls for Emblem to make payments to Canntab upon achievement of certain milestones involving stability studies, bio-availability studies and regulatory approval of the Sustained Release Product. The CL Agreement also calls for Emblem to make royalty payments to Canntab based upon gross sales of the Product.

On October 24, 2017, the Company's board of directors approved the construction of a greenhouse facility on the newly acquired lands in Paris, Ontario. The Company intends to break ground on the newly acquired lands in the second quarter of 2018 and to execute on the design and build of its new facility which is expected to be comprised of up to approximately 120,000 square feet of greenhouse space and 50,000 square feet of infrastructure space [the "Paris Road Expansion"]. Once operating at an optimal level, the Company expects the Paris Road Expansion to provide up to an additional 15,000 kilograms of annual production capacity.

On November 16, 2017, the Company closed the Offering whereby the Underwriters purchased 7,885,734 Units and 15,000 Convertible Debentures at a price per Unit of $1.75 for gross proceeds of $13,800,034 and a price per Convertible Debenture of $1,000.00 for gross proceeds of $15,000,000, for total gross proceeds of $28,800,034 or total net proceeds of $26,572,032 after deducting the Underwriters' fees of $1,728,002 and the expenses of the Offering estimated to be $500,000.

Each Unit will be comprised of one (1) Common Share and one (1) common share purchase warrant [a "Warrant"]. Each Warrant shall entitle the holder thereof to purchase one (1) Common Share at an exercise price of $2.15, for a period of 36 months following the closing of the Offering.

The Convertible Debentures shall bear interest at a rate of 8.0% per annum from the date of issue, payable semi-annually in arrears on June 30 and December 31 of each year. The Convertible Debentures will have a maturity date of 36 months from the closing date of the Offering [the "Maturity Date"].

The Convertible Debentures will be convertible at the option of the holder into Common Shares at any time prior to the close of business on the Maturity Date at a conversion price of $1.95 per Common Share [the "Conversion Price"]. Beginning on the date following the Closing date, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Common Shares be greater than $2.93, for any 10 consecutive trading days.

As consideration for its services, the Underwriters received a cash commission equal to 6.0% of the gross proceeds of the Offering. The Company also issued to the Underwriters non-transferrable compensation warrants [the "Compensation Warrants"] in an amount equal to 3% of the gross proceeds of the Offering divided by the Unit Issue Price. Each Compensation Warrant will be exercisable into one Unit at the Unit Issue Price for a period of 36 months following the closing of the Offering.

It is currently expected that ninety percent (90%) of the net proceeds from the Offering will be allocated toward the currently unfunded portion of the planning, design, development, construction and implementation (including the purchase of certain designated capital equipment) of the Paris Road Expansion. Although no specific investments are currently contemplated, it is expected that approximately ten percent (10%) of the net proceeds will be invested in, among other things, medical marijuana related technologies, seeds, clinical trials, genetics and research and development initiatives or other infrastructure, all within the industry.

In connection with Nick Dean's appointment as chief executive officer, the Company has approved the grant of an aggregate of 500,000 incentive stock options of the Company [the "Options"] to Mr. Dean. Each Option entitles Mr. Dean to purchase one (1) Common Share at a price of $1.69 per Common Share for a period of five (5) years from the date of grant. The Options will be subject to the terms of the Company's stock option plan and will vest in three (3) equal tranches with the first tranche to vest on January 15, 2019, the second tranche to vest on January 15, 2020 and the remainder to vest on January 15, 2021.