

November 9, 2022



Q2 Fiscal Year 2023 Earnings Presentation

[AleafiaHealth.com](https://www.AleafiaHealth.com)

Disclaimer

FORWARD LOOKING INFORMATION

Certain statements herein relating to the Company constitute “forward looking information”, within the meaning of applicable securities laws, including without limitation, statements regarding future estimates, business plans and/or objectives, sales programs, forecasts and projections, assumptions, expectations, and/or beliefs of future performance, are “forward-looking information”. Such forward-looking statements involve unknown risks and uncertainties that could cause actual and future events to differ materially from those anticipated in such statements. Forward looking statements include, but are not limited to, statements with respect to our market share, net revenue, branded cannabis net revenue, gross profit, gross profit margin, Adjusted SG&A, Adjusted EBITDA, and other financial outlook projections for fiscal year 2023, our commercial operations, including production and / or sales of cannabis, quantities of future cannabis production, anticipated revenue in connection with such sales, and other Information that is based on forecasts of future results, estimates of production not yet determinable, and other key management assumptions. The following material factors or assumptions were used to develop the forward looking information: market size and growth of the Canadian adult-use and medical cannabis markets, retail store penetration, script trends, cultivation and processing capacity, costs of production, gross and net revenue per gram. Actual results may differ materially from those expressed or implied by such forward looking statements and involve risk and uncertainties relating to: future cultivation yield and quality, actual operating performance of facilities, product launches, facility licenses and amendments, average selling prices, cost of goods sold, operating expenses, Adjusted EBITDA, regulatory changes in the Canadian and international markets, and other uninsured risks. The forward looking information was approved by Management as of November 8, 2022. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by law. The forward looking information is provided for information purposes only and readers are cautioned that it may not be appropriate for other purposes. This presentation is provided for general information purposes only and does not constitute an offer to sell or solicitation of an offer to buy any security in any jurisdiction.

CAUTIONARY STATEMENT REGARDING NON-IFRS MEASURES

Branded Cannabis Net Revenue, Branded Cannabis Revenue, Adjusted SG&A, EBITDA and Adjusted EBITDA are not recognized financial measure under IFRS, does not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. For additional information including the definition and purpose of the non-IFRS measure, see “Cautionary Statement re Non-IFRS measures” in the Company’s Management’s Discussion and Analysis for the period ended September 30, 2022 found on SEDAR at www.sedar.com.” for all of the foregoing non-IFRS measures except Adjusted SG&A and Adjusted SG&A. For Adjusted SG&A please see page 28 of this presentation for additional information. For EBITDA and Adjusted EBITDA, please see page 27.

Presenters

Executive Leadership



Tricia Symmes
Chief Executive Officer

20+ years as a senior executive in the pharmaceutical, biotech, consumer packaged goods, and cannabis industries. Extensive experience in Commercialization, Operations, Business Development, leading multinational global subsidiaries, start-up and biotech companies.



Matt Sale
Chief Financial Officer

16+ years of increasingly more senior finance executive experience. Deep capital markets, mergers & acquisitions, strategic financial advisory experience across broad industries including consumer packaging, retail, manufacturing, distribution and cannabis



New Milestone Achievements

Q2 FY2023 Financial Outperformance with Aleafia Delivering Profitability for the First Time as a Branded Cannabis Producer

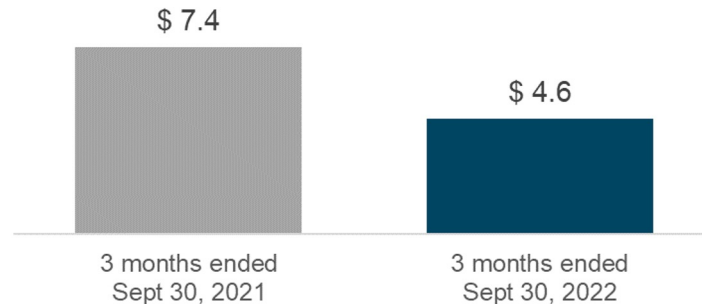
Adjusted EBITDA Profitability

- Adjusted EBITDA profitability achieved 2 quarters earlier than targeted



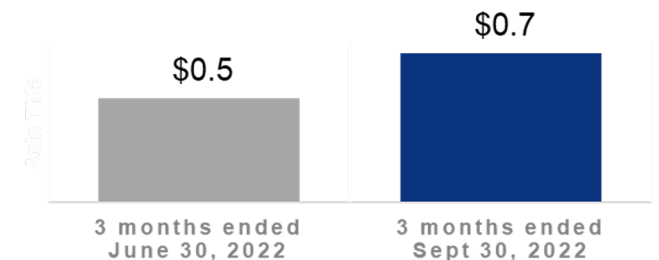
Cost Containment Benchmarks

- 6% reduction in FTE since Q1 FY2023; \$1.0 million in savings
- Adjusted SG&A 38% improvement since last year



International Growth

- New International partnership signed in Q2 FY2023; minimum \$2.0mm/yr sales commitment
- 1st shipments planned for Q3 FY2023 under new agreement and partner
- Growth quarter over quarter of 44%



Adjusted EBITDA profitability attained two quarters ahead of target while accelerating growth in international sales and continued aggressive cost containment

4 Core Strategic Objectives

Continues to Demonstrate Growth and Leadership Across all Four Strategic Pillars on our Path to Profitability



Top 10 Adult-Use Market Position

- **\$23 million** run-rate net revenue ⁽¹⁾
- **3rd** highest growth rate amongst **Top 20 Canadian LPs** in retail sales pull-through over the last 7 quarters ⁽²⁾
- **#14 ranking for market share** in our core markets for Q2 FY2023 ⁽³⁾
- **Divvy Brand Leadership** in the Ontario dried cannabis value segment market share 3.3% in Q2 FY2023 ⁽⁴⁾



Leadership in Medical

- **\$12 million** run-rate net revenue ⁽¹⁾
- Deepening penetration in key **high value markets**, including veterans, Québec, and third party clinics
- **7.5% market share** in overall Canadian medical market ⁽⁵⁾



Growing International

- **\$2.6 million** run-rate net revenue ⁽¹⁾
- **3 countries** with products shipped to market (Germany, UK, Australia)
- Q2 FY2023 international sales of \$0.7 million a **record high**



Adjusted EBITDA Profitability

- **Achieved Adjusted EBITDA profitability in Q2 FY2023** ⁽⁴⁾
- **Increased FY2023 guidance to a range of between -\$1 and \$1.5 million**
- **Extracted over \$15 million in annualized cost reductions** over the last 12 months
- **Achieved profitability despite macro events (OCS cybersecurity outage; BC strike) and own flower supply constraints**

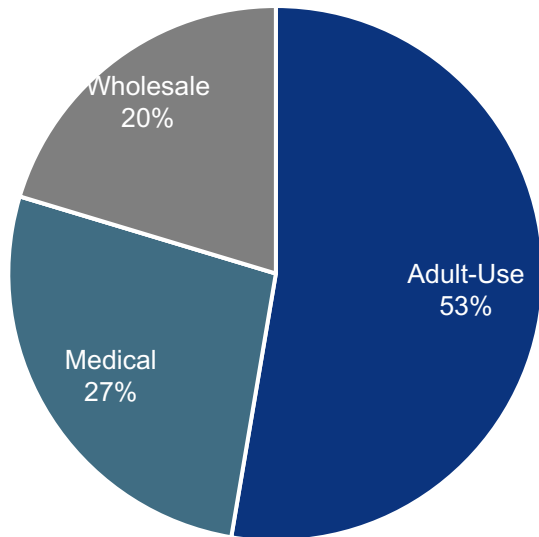
Targeting a top 10 standing in markets⁽⁴⁾ and continuing upwards trajectory in Adjusted EBITDA profitability

1. Based on most recently completed quarter ended September 30, 2022.
2. Based on HiFyre retail sales pull through data in BC, AB, SK, and ON for the period Q1 CY2021 to Q3 CY2022 and excludes beverage and cultivation.
3. Based on HiFyre retail sales pull through data in BC, AB, SK, and ON for the period Q3 CY2022 and excludes beverage and cultivation.
4. Based on HiFyre retail sales pull through data in ON for the period Q3 CY2022 and excludes beverage and cultivation.
5. Health Canada - data on cannabis for medical purposes Q4 CY2021.

Transformation of the Business

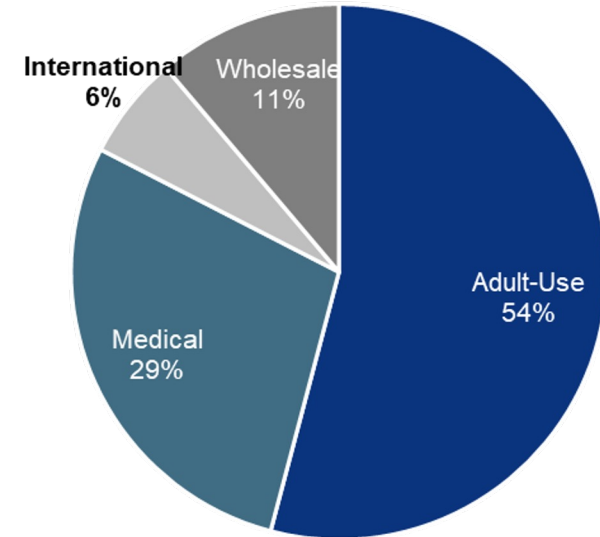
Robust Growth in Revenue Partially Offset by Higher Excise Duty Burden

**Net Revenue Breakdown
(Q3 FY2022 September 30, 2021)**



\$10M Branded Cannabis Revenue
\$7.6M Branded Cannabis Net Revenue

**Net Revenue Breakdown
(Q2 FY2023 September 30, 2022)**



\$13.3M Branded Cannabis Revenue
\$9.4M Branded Cannabis Net Revenue

Revenue +21%
Net Revenue +11%

Strong revenue growth in Branded Channels partially offset by higher excise duties

Aleafia Health in the News

First to appear in a major international film festival, unique event offering for consumers, and media coverage in Q2 2022



Key Marketing / PR Features

Noon & Night Nitecaps featured as 1st ever CBD / cannabis product in Toronto International Film Festival (TIFF) product suite for A-List celebrities

2nd Annual Harvest Party brought over 250 retailers, consumers and purchasers north of Toronto to the Company's Port Perry farm

Featured on Benzinga All Access Live show

Innovation in both product development and marketing drive loyal following among media influencers and consumers

Business Overview & Performance

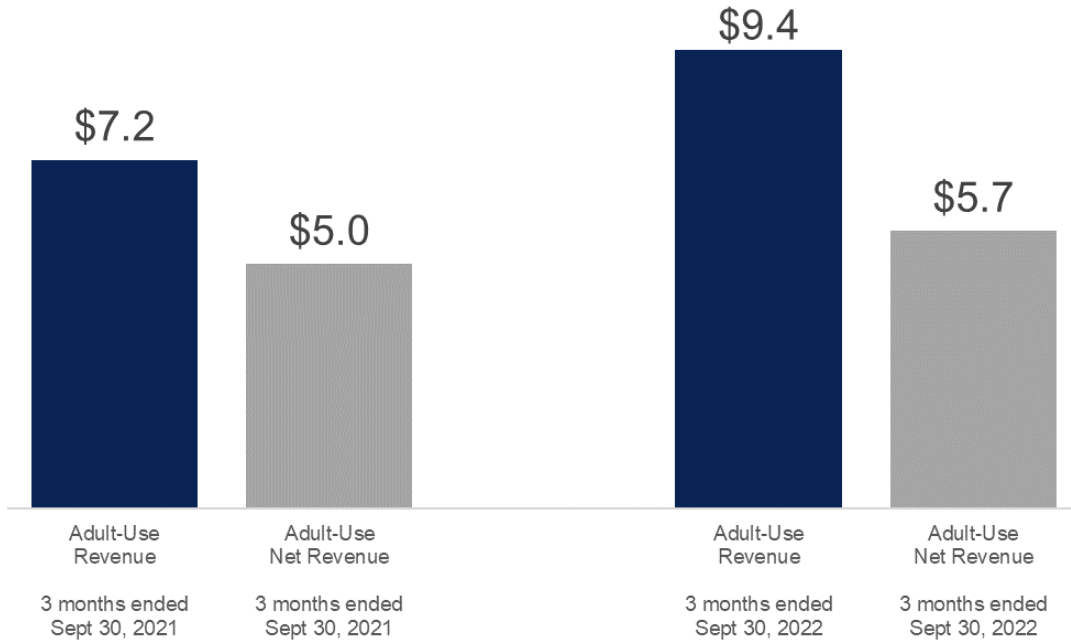


Q2 FY2023 Highlights: Adult-Use Sales Channel

Robust Growth in Adult-Use Net Revenue Year over Year Driven by Flagship Divvy Brand

Adult-Use Revenue

Divvy Entrenchment in Adult-Use Market



31% growth in total revenue over the prior year

14% growth in net revenue over the prior year

Top 3 among top 20 LPs in total retail sales pull through (+36% average quarterly growth rate) over the last seven quarters in our core markets ⁽¹⁾

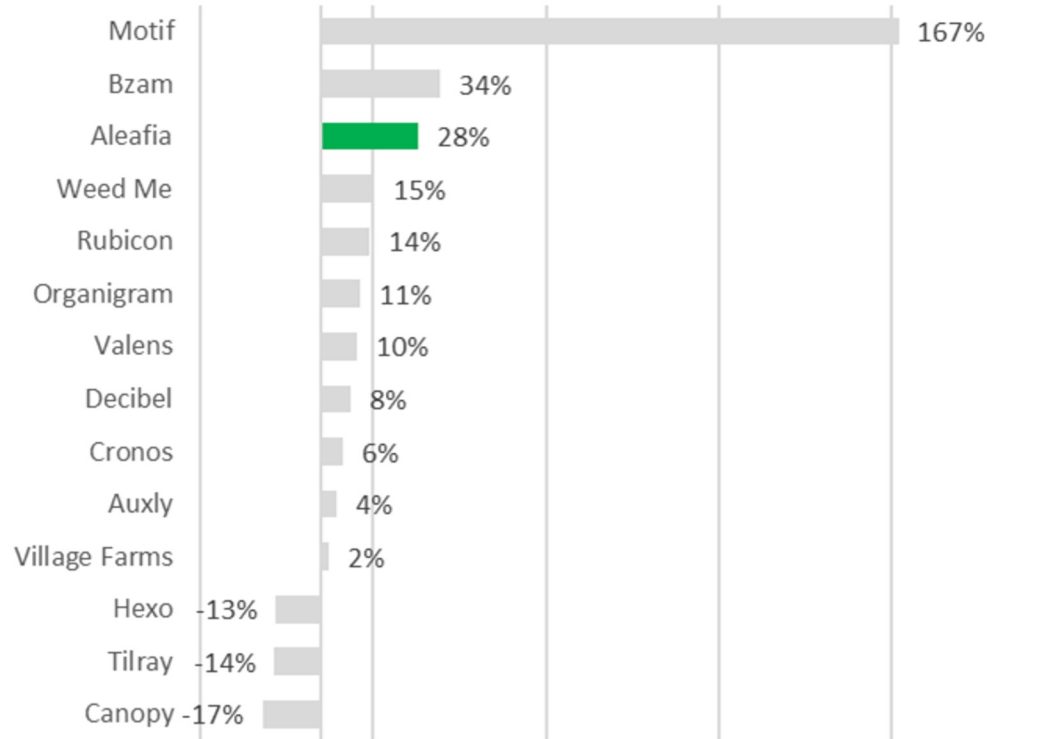
Strong demand for on-trend Divvy brand driving strong net revenue growth



Continuing to Capture Adult-Use Share With Third Highest Growth In Sell-Through

Retail Sell Through Growth Maintaining close to 90% year over year in BC, AB, SK, and ON

Market Share CQGR Since Q1 2021



Pre-Rolls

3.0% market share in listed regions
35% QoQ growth in retail sell through (Ontario)
+80% CQGR since Q1 CY2021

Flower

+68% CQGR since Q1 CY2021

Milled

7.8% market share in listed regions
#2 market share in ON in Q2 FY2023

3rd highest growth rate with 28% average quarterly growth rate in retail sell through since Q1 2021 in participating markets

1. Based on HiFyre retail sales pull through data in BC, AB, SK, and ON for the period Q1 CY2021 to Q3 CY2022 and excludes beverage and cultivation

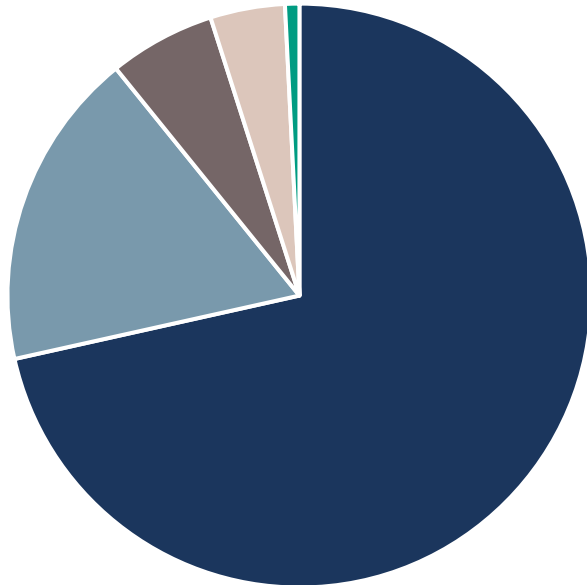


Value Segment: Divvy Ranking

Demonstrating Leadership Positions in the \$750 Million Non-Premium Segment

TAM of Value Segment ⁽¹⁾

■ Flower + Pre-roll ■ Vapes ■ Concentrates ■ Oils ■ Topicals



Estimated total addressable market of value segment is \$750 Million per year

Progress Towards Top 10 Market Share Targets In Ontario ⁽²⁾

Category	Market Share	Market Share Rank	Progress
Milled Flower	7.8%	#2	
Pre-Rolls	4.6%	#4	
Whole Flower	2.1%	#10	
Vapes	1.4%	#21	

Pineapple Nuken 12-packs of pre-rolls the runaway SKU, achieving a #3 ranking in Ontario for Q2 FY 2023

1. Based on management estimate of total net revenue potential; calculated based on Based on HiFyre retail sales pull through data in BC, AB, SK, and ON for the period Q2 CY2022 and excludes beverage and cultivation.
 2. Based on OCS sales data of wholesale channel and non-premium segment.



Port Perry 2022 Harvest Update

Continued Improvement in Growing Best Practices Increasing Usable Flower Supply for Adult-Use Branded Products



Overall

- Average potencies exceed 20% THC
- Harvest started sooner than prior year
- Flower will be in market in pre-roll and milled product formats by end of 2022

THC Cultivars

- 77% of total harvest (vs. 60% in prior year)
- +11% increase in harvest over prior year
- +25% improvement in yield per plant of THC cultivars
- Top-selling cultivar yielded 4,000k of 20%+ THC with 3.6%+ terpene profile



Port Perry, Ontario

Increase in overall flower supply of THC dominant cultivars to continue to supply leading pre-roll and milled product formats for Divvy brand



Grimsby Update

Strategic Decision to Wind Down the Hybrid Greenhouse Facility



Strategic Rationale

- Asset Optimization: reviewing fixed assets to maximize long-term profitability
- Greenhouse cultivation facility (approx. 160,000 sq ft) will be wound down
- Third-party sourcing: high-THC flower to support dried flower offering

Cost Savings

- Annualized net savings of \$4.1 million

Margin Enhancement

- Company began procuring high-THC usable flower in Q2 CY2022

Timing

- Beginning November 2022, remaining flower harvests to be completed

Deleverage

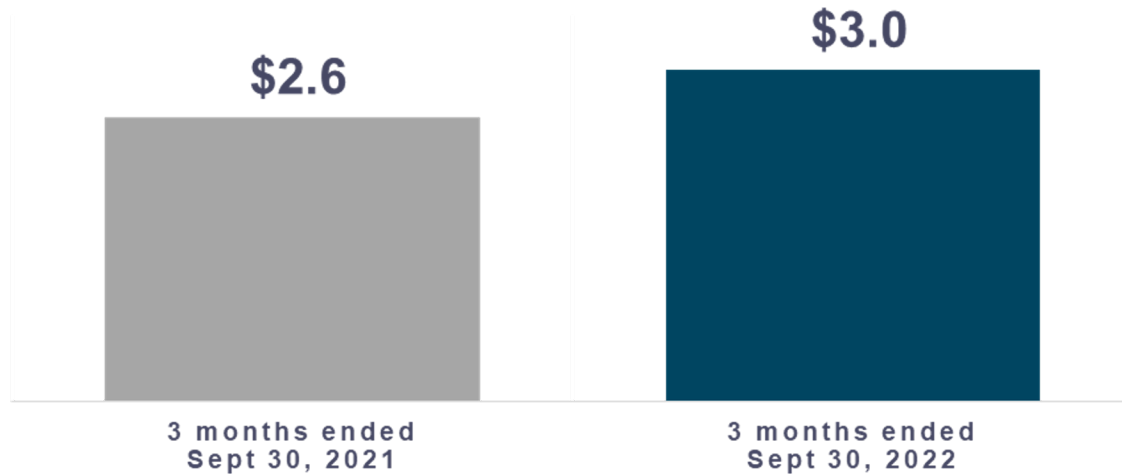
- Net proceeds will primarily be used for debt repayment



Q2 FY2023 Highlights: Medical Sales Channel

Growth in Product Portfolio and Outreach For Patient Groups Offset Industry Trends and Increase Year-Over-Year Growth in New Markets

Medical Net Revenue



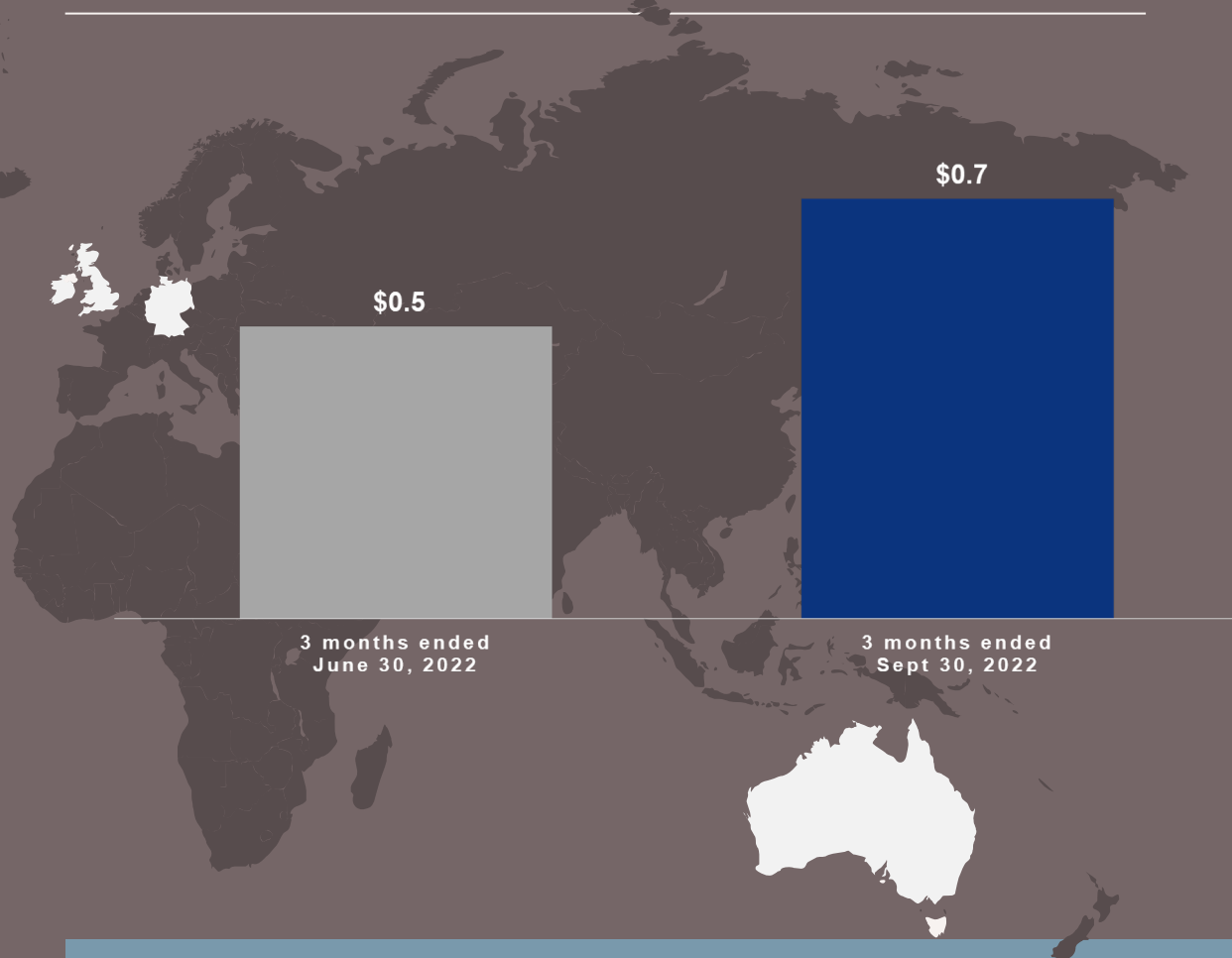
Driving Growth in Medical

- Increased customer outreach programs with key patient segments and clinics
- Expanded product selection with Divvy catalogue and third-party producers to create a 1-stop shopping experience
- Increased selection of flower, with a focus on procuring higher THC and more variety for patients
- Added a total of 31 new SKUs since start of FY2023
- Continuous improvements of the patient journey within the Emblem and clinic network
- 150% growth year over year in the Quebec market

In a declining medical market, capturing market share by driving growth in new high value patient groups, AOV and entering new geographic regions



Q2 FY2023 Highlights: International Sales Channel



Secured New European Partner

- Record quarter for international sales
- Executed purchase order for 1st shipment in November 2022 under new strategic partner
- EU-GACP certified by partner
- Seeing growing demand in Australia
- Reiterate will meet minimum purchase requirements with new partner

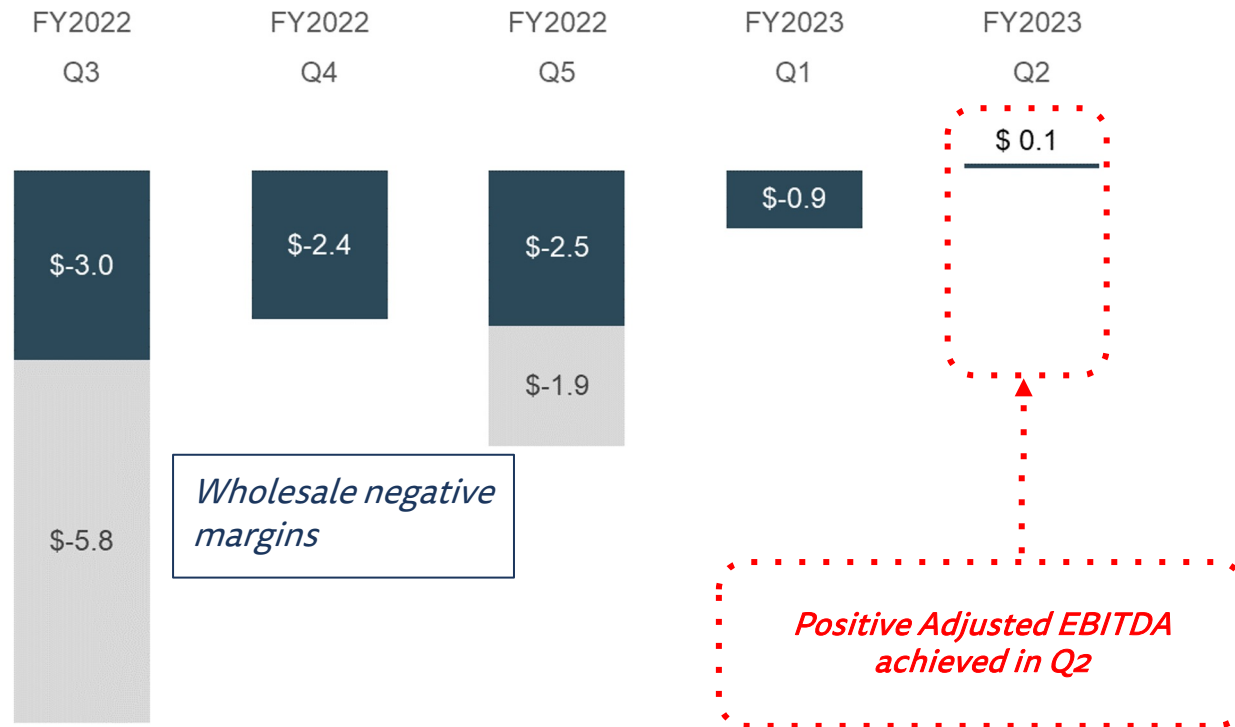
International revenue enhances margins, diversifies sales mix and unlocks new untapped and growing markets

Financial Overview

Achieved Positive Adjusted EBITDA Profitability

Current Adjusted SG&A Profile Flexible and Scalable to Facilitate Continued Revenue Growth

Milestone Achievement of Adjusted EBITDA Profitability



Select Projects Underway to Drive Profitability

- Strategic relationships to unlock further flower supply
- Launching large format SKUs focused on dried flower / milled
- Add SKUs under House of Brands in higher margin derivative categories: roll-ons, sublingual strips, maple syrup
- Grimsby greenhouse wind-down
- SG&A cost containment
- Enhanced B2B logistics and warehousing services
- B2B private labelling services

Notable Initiatives Completed

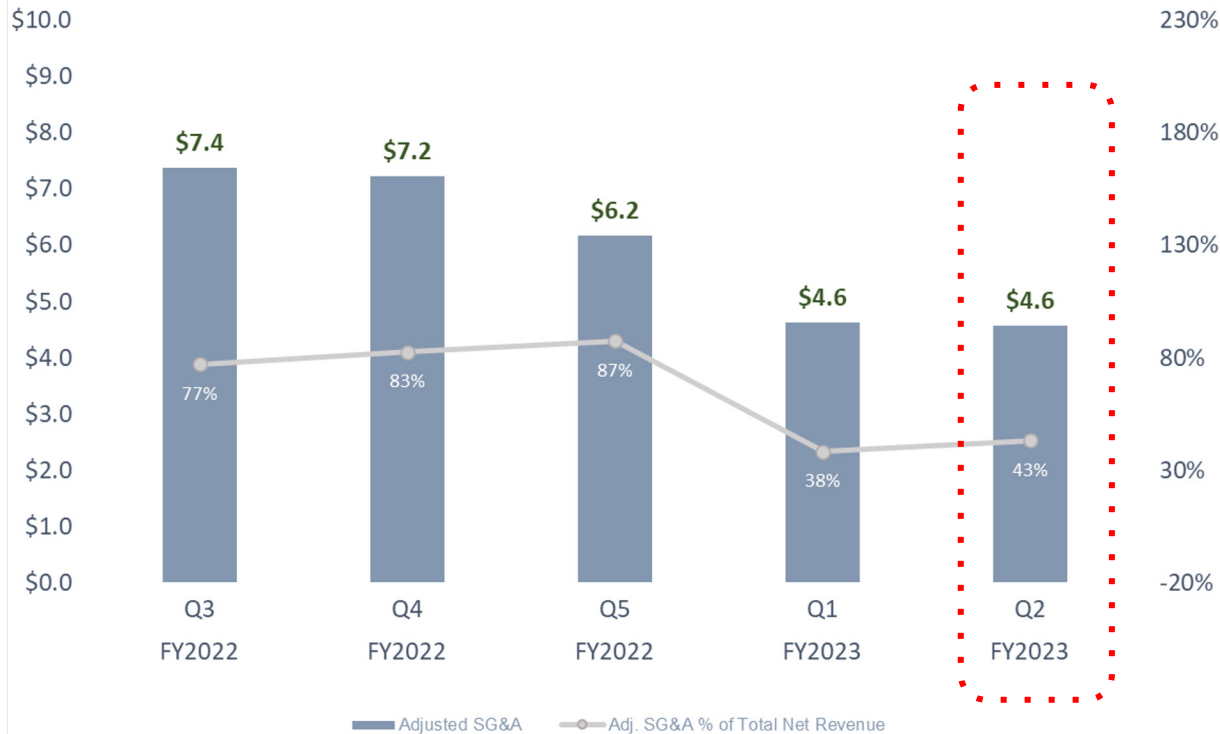
- SG&A cost rationalization
- Vendor consolidation and volume rebates
- SKU optimization to align portfolio on highest selling product formats with strongest margins
- Strategic adult-use price increases

Achieved Adjusted EBITDA profitability two quarters faster than targeted in fiscal year 2023

Significant Cost Rationalizations in Adjusted SG&A to Dramatically Reduce Cash Burn

Current Adjusted SG&A Profile Flexible and Scalable to Facilitate Continued Net Revenue Growth

Aggressive Cost Rationalizations Driven -38% Reduction in Quarterly Adjusted SG&A Over the Last 4 Quarters



Economics of Scale

- Vendor consolidation
- Negotiated volume based vendor discounts

Innovating Marketing

- Dynamic, focused “grassroots” sales & marketing

Key Cost Reductions Completed

- Insourcing legal, finance and IT functions
- Integration of medical business
- Headcount realignment (35% reduction last 4 quarters)
- Non-recurring brand and product launch costs
- Wind-down of certain medical physical clinics

Over \$11.2 million in annualized cost savings in Adjusted SG&A over the last 4 quarters

Key Financial Highlights of Q2 FY2023

Branded Cannabis Net Revenue Across Adult-use, Medical, and International Segments Drives Aleafia Health's Path to Profitability

(\$ millions)	3 months ended Sept 30, 2021	3 months ended Sept 30, 2022	
Total Revenue	11.9	14.5	↑
Branded Net Revenue	7.6	9.4	↑
Wholesale Net Revenue	1.9	1.2	↓
Total Net Revenue	9.6	10.6	↑
Total Gross Profit (before fair value adjustments)	(0.7)	3.7	↑
GP Margin %	-7%	35%	↑
Adjusted SG&A	7.4	4.6	↓
% to Total Net Revenue	77%	43%	↓
Adjusted EBITDA	(8.8)	0.1	↑

Total revenue increased by 21%

Net revenue increased 11% driven by 23% growth in branded cannabis net revenue

Adult-Use

- Net revenue increased by \$0.7 million, or 14%, over the prior year
- Strong milled flower performance
- Impacted by flower supply shortages, OCS cybersecurity, BC strikes
- Total missed flower sales of approximately \$4.9 million in the quarter

Medical

- Net revenue increased by \$0.4 million, or +16% over the prior year
- Veteran sales +15% quarter over quarter

International:

- Contracted sales expected to drive sustainable higher margin business

Gross Profit Margin Before Fair Value Adjustments

- Portfolio optimization in Q5 FY2022 now seeing the improvements in margin

1st Adjusted EBITDA positive quarter since transformation

Strong Growth and Adjusted EBITDA Profitability a Catalyst for Potential Valuation Re-Rate

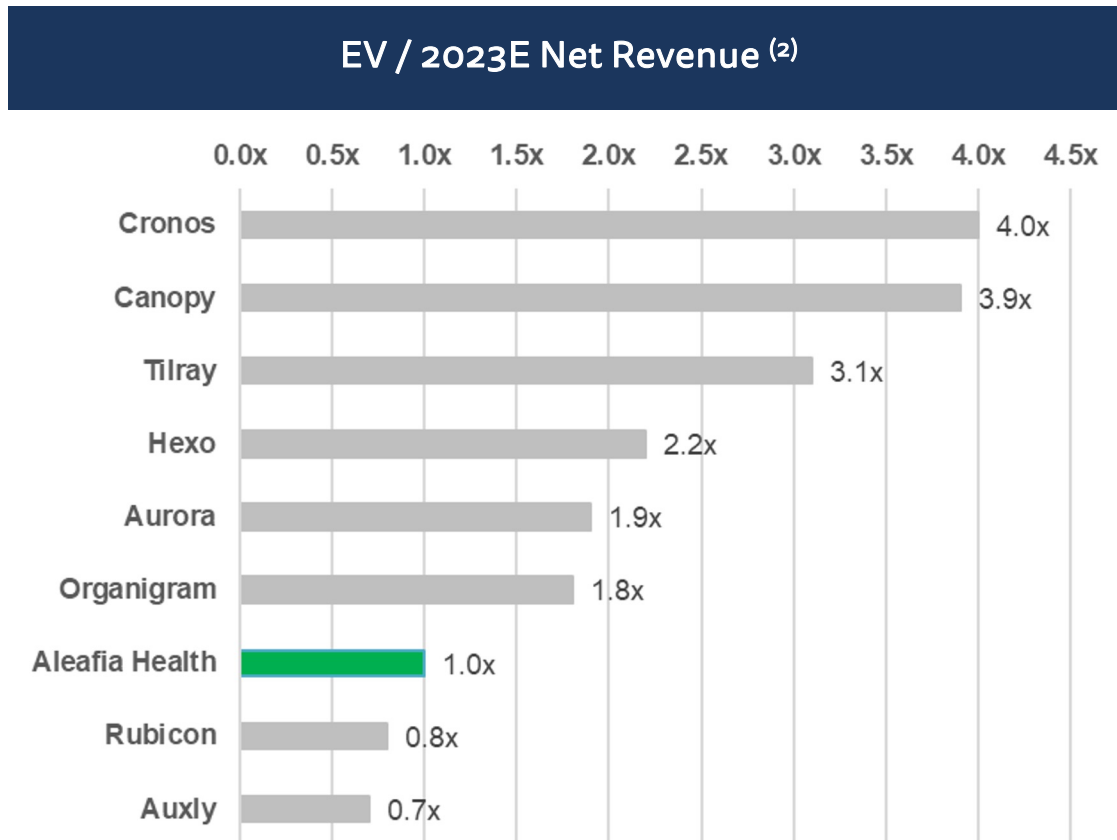
Top Quartile Retail Sales Pull through Growth Rates Combined Profitability Provides Opportunity for Robust Shareholder Returns

Leading Key Valuation Metrics

- Top quartile growth rate in retail sales pull through in core markets
- 1st Company of similar size & scale & business focus to attain Adjusted EBITDA profitability

Significant Valuation Discount

- Average EV / 2023E net revenue trading multiple of peers is 2.3x
- **Aleafia trades at a 58% discount to average of peers**
- Narrowing valuation gap represents an opportunity to increase share price >\$0.20



Aleafia trades at a deep discount to most peers despite top quartile growth rates and clear pathway for improved Adjusted EBITDA profitability in the near term

Current Capitalization

Balance Sheet Transformation in Progress; Near-term Liquidity from Receivables Facility and No Near-term Refinancings Required

	March 31, 2022	September 30, 2022
Revolving Receivables Facility	\$0.5	\$1.8
Term Loan due December 2023	\$12.1	\$12.8
Convertible Debentures	\$36.4	---
Current Debt	\$49.0	\$14.6
Credit Facility due December 2023	\$5.0	\$4.9
8.5% Convertible Debenture due June 30, 2024 (ex. \$0.25)	-	\$11.5
8.5% Convertible Debenture due June 30, 2026 (ex. \$0.30)	-	\$8.1
8.5% Convertible Debenture due June 30, 2028 (ex. \$0.35)	-	\$5.7
Long-term Debt	\$5.0	\$30.2
Total Debt	\$54.0	\$44.8
Cash	\$1.6	\$1.9
Net Debt	\$52.4	\$42.9
Market Value	\$39.7	\$18.1
Enterprise Value	\$92.1	\$61.0

Liquidity to Drive Growth

- \$1.9 Million Cash on hand (as at September 30, 2022)
- \$7 Million Receivables Facility (\$4.5 million undrawn)

Credit Facilities

- \$19 Million Credit Facility due December 2023
 - \$12 Million Term Loan
 - \$7 Million Receivables Facility
- \$5 Million Credit Facility due December 2023

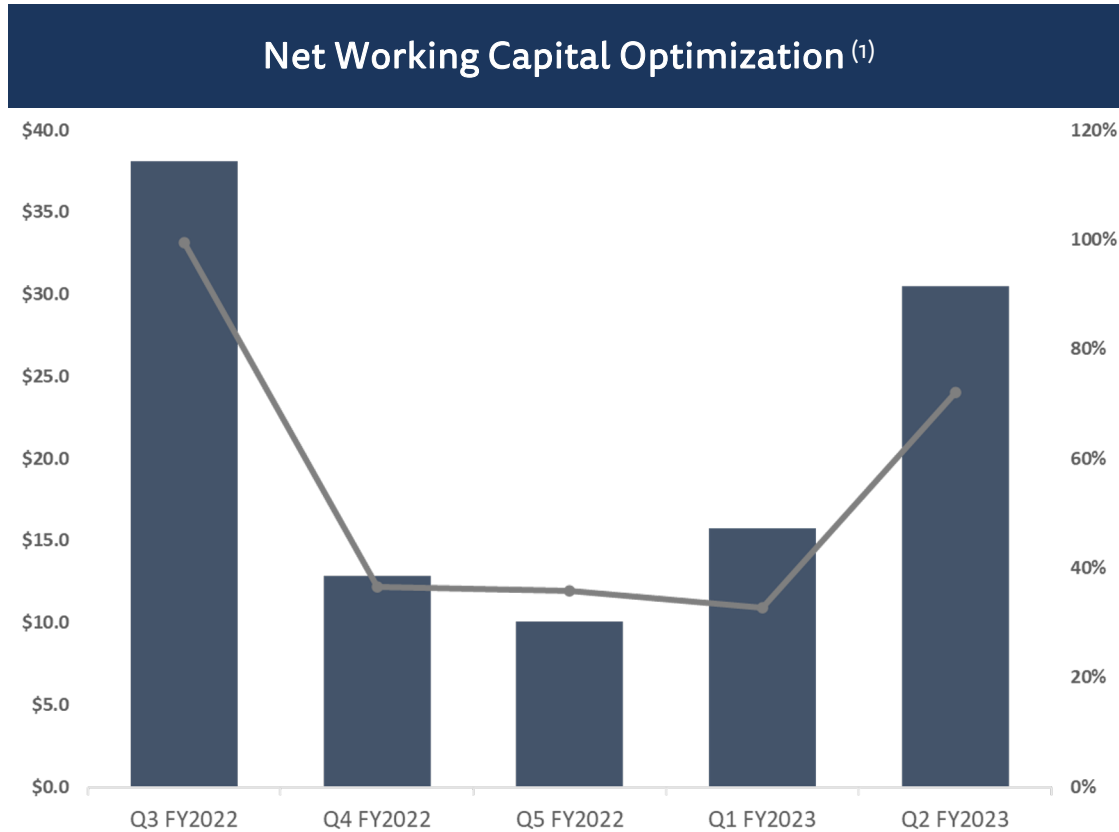
Convertible Debentures

- No mandatory cash interest payments until June 30, 2024

Net debt reduced from \$52 million to \$43 million in the quarter ended September 30, 2022

Net Working Capital Optimization

Net Working Capital being Optimized to Improve Liquidity and Optimize Returns on Capital



Receivables Management

- Receivables facility to fund A/R growth in sales to four provinces

Inventory Management

- Right-sized inventory
- Inventory turnover increased: 0.8x Q2 FY2022 to 1.3x Q2 FY2023
- Flower supply dynamically directed to sales channel with highest net realizable margin
- Strategically adding finished goods to minimize product stockouts

Bio Assets

- Increase in Q2 FY2023 by \$13 million due to seasonal outdoor harvest

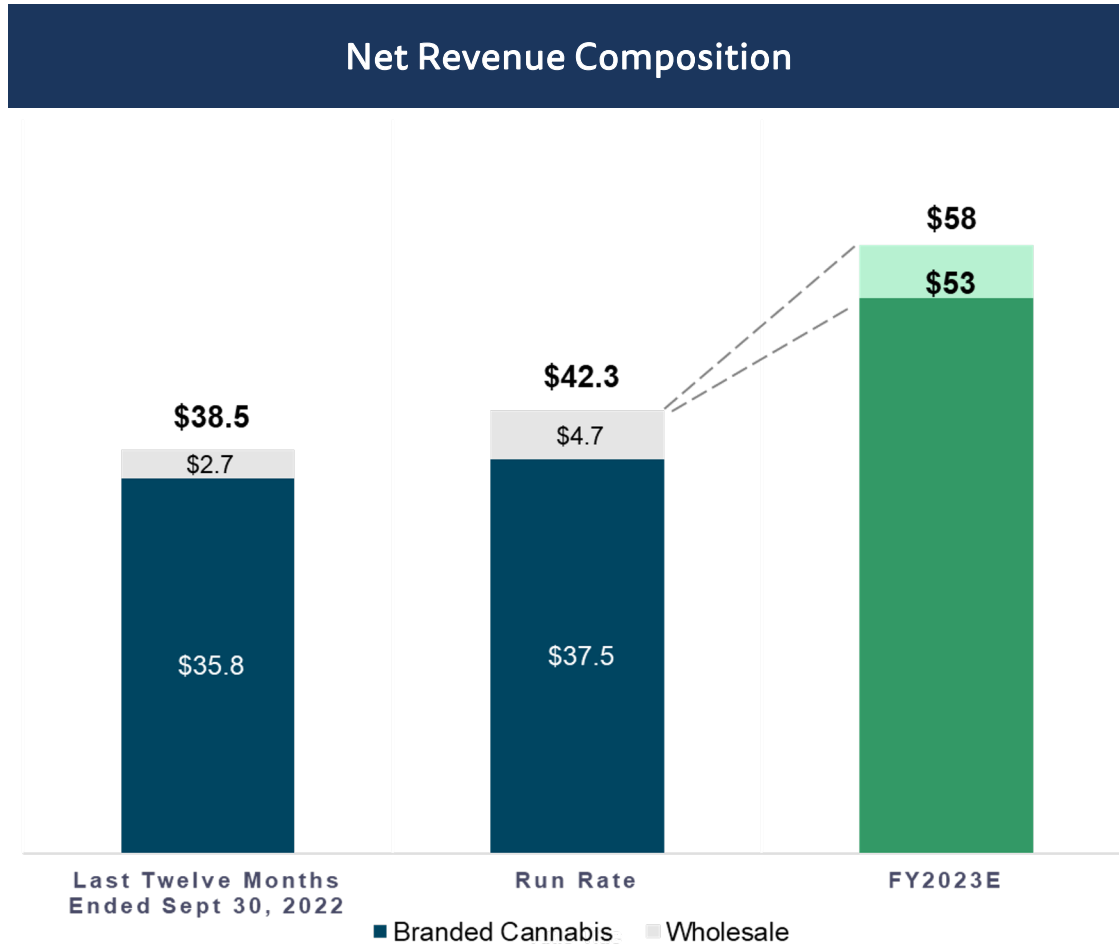
Accounts Payable

- Aggressive cost containment in SG&A flowing through to reduced A/P

Net working capital increase due to seasonal growth in biological assets

Multi-Pronged Growth Strategy Across Three High Value Pillars

Initiatives Underway to Drive Net Revenue Growth Across All Sales Channels for Branded Cannabis Product Portfolio



Adult-Use

- Expand high-margin product lineup within Divvy catalogue
- Build consumer engagement program for Divvy to increase brand loyalty
- Third-party procurement to mitigate product stockouts and capture “missed” revenue



Medical

- Patient acquisition: veterans; Unifor; referral program
- “One-stop shopping” - expand diversity in product offering
- Proactive patient outreach to drive engagement / retention
- Increase selection of flower
- Continuous improvements of patient journey



International

- Execute on new partnerships
- Expand German network to position for legalization
- Continue growth in European medical market

Progress Toward FY2023 Targets

Ahead of Plan on Adjusted EBITDA Profitability and On-track to Meet FY2023 Net Revenue and Gross Profit Margin Targets¹

FY 2023 Progress Toward Targets¹

	FY2023 Q1	FY2023 Q2	FY2023 YTD	FY2023 Full Year Target	
				Low	High
<i>In \$ millions</i>					
Total Net Revenue	12.1	10.6	22.6	53.0	58.0
<i>Gross Profit %</i>	22%	35%	28%	32%	38%
Adjusted SG&A	4.6	4.6	9.2	20.0	22.5
<i>Adjusted SG&A %</i>	38%	43%	41%	38%	39%
Adjusted EBITDA	(0.9)	0.1	(0.9)	(1.0)	1.5

Net Revenue

Profitable net revenue growth across all three core sales channels

Reduced top end of guidance due to macro events (OCS cybersecurity attack; BC strike) and Grimsby greenhouse production being significantly outpaced by dried flower demand

Gross Profit Before Fair Value Adjustments

Margin pressure in competitive adult-use

Driving growth in higher margin medical and intl channels

Finished goods processing efficiency

Vendor consolidation and volume based pricing improvements

Adjusted SG&A

Strict headcount and SG&A containment efforts

Adjusted EBITDA

Performance well ahead of plan

Increased guidance from range of -\$7.5 to -\$2.5 million to a range between -\$1.0 and \$1.5 million¹

End Remarks

Executive Leadership



Q&A

Non-IFRS Measures - Adjusted EBITDA

(\$,M's)	Q3 FY2022	Q4 FY2022	Q5 FY2022	Q1 FY2023	Q2 FY2023
Net loss	-80.4	-71.5	-4.2	-4.5	7.0
Add back:					
Depreciation and amortization	1.9	3.7	2.1	2.0	2.0
Interest expense, net	2.0	2.2	2.6	2.8	2.1
Income tax expense (recovery)	-2.9	0.0	0.0	0.0	0.0
EBITDA	-79.3	-65.6	0.6	0.2	11.1
Inventory provision	2.4	17.3	0.0	0.0	0.0
FV changes in biological assets and changes in inventory sold	-3.4	6.7	0.9	-3.1	-11.9
Share-based payments	1.1	0.7	0.1	0.6	1.0
Bad debt expense	-0.3	0.0	-8.1	0.0	0.0
Business transaction costs	0.9	1.0	0.7	0.3	0.0
Gain on sale of assets	0.0	0.0	0.0	-0.0	-0.1
Fair value through profit and loss adjustments	5.6	8.8	1.1	1.0	0.0
Impairment of intangible assets	53.1	0.0	0.0	0.0	0.0
Impairment of goodwill	11.3	0.0	0.0	0.0	0.0
Impairment of property, plant & equipment	0.0	28.8	0.0	0.0	0.0
Non-operating expense (income)	0.0	0.1	0.3	0.1	0.0
Adjusted EBITDA	-8.8	-2.4	-4.4	-0.9	0.1

EBITDA is calculated as net income (loss) adding back depreciation and amortization, interest expense, and income taxes expense (recovery)

Non-IFRS Measures - Adjusted SG&A

Adjusted SG&A

(\$,M's)	Q3 FY2022	Q4 FY2022	Q5 FY2022	Q1 FY2023	Q2 FY2023
SG&A	6.6	6.6	4.5	4.9	4.3
Business Transaction Costs	0.9	0.9	0.6	0.3	0.0
<u>Adjustments:</u>					
Wage Subsidies, severance, other wage adjustments	-0.1	-0.3	1.1	-0.6	0.3
Adjusted SG&A	7.4	7.2	6.2	4.6	4.6
Adjusted SG&A % to Total Net Revenue	77%	83%	87%	38%	43%