Aleafia Health™

ALEAFIA HEALTH INC.
ANNUAL INFORMATION FORM

For the year ended December 31, 2019
Dated March 18, 2020

AleafiaHealth.com

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ABOUT THIS ANNUAL INFORMATION FORM

In this annual information form ("**AIF**" or "**Annual Information Form**"), unless the context otherwise requires, "Aleafia Health" refers to Aleafia Health Inc. and the "**Company**" refers to Aleafia Health and its affiliates, subsidiaries and associated corporations, as set out below under "Intercorporate Relationships".

All financial information in this Annual Information Form is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board. Any reference to "Canadian dollars" or "$" are to the currency of Canada.

This AIF applies to the business activities and operations of the Company for the year ended December 31, 2019, with certain information updated to reflect changes occurring subsequent to the year end up to the date of this AIF. Unless otherwise indicated, the information in this AIF is given as of December 31, 2019.

This AIF contains Company names, product names, trade names, trademarks and service marks of the Company and other organizations, all of which are the property of their respective owners.

The information contained in this AIF, including news releases and other disclosure items of the Company, is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com under the Company's profile. The Common Shares of Aleafia Health are traded on the Toronto Stock Exchange under the symbol "ALEF".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking statements or information (collectively "forward-looking statements") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. The forward-looking statements are contained principally in the sections titled "*Description of the Business*" and "*Risk Factors*".

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues", "plans", "aim", "seek" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on current expectations and projections about future events and financial trends that they believe may affect the Company's financial condition, results of operations, business strategy and financial needs, as the case may be.

Forward-looking statements relating to the Company include, among other things, statements relating to:

- the Company's business objectives and milestones and the anticipated timing of execution;
- the performance of the Company's business and operations;
- the intention to expand the business, operations and potential activities of the Company;
- the methods used by the Company to deliver cannabis;
- the projected increase in production capacity;
- the competitive conditions of the cannabis industry;
- the competitive and business strategies of the Company;

- the Company's anticipated operating cash requirements and future financing needs;
- the anticipated future gross revenues and profit margins of the Company's operations;
- the Company's expectations regarding its revenue, expenses and operations;
- impacts of potential litigation;
- the Company's intention to build brands and develop cannabis products targeted to specific segments of the market;
- the ongoing and proposed expansion of the Company's facilities, products or services, including associated costs and any applicable Health Canada licencing;
- the current political, legal and regulatory landscape surrounding medical and recreational cannabis and expected developments in any jurisdiction in which the Company operates or may operate;
- the receipt of any regulatory and stock exchange approvals required at any given time;
- the applicable laws, regulations and any amendments thereof;
- medical benefits, viability, safety, efficacy and dosing of cannabis;
- the expected growth in the number of patients;
- the expected number of grams of medical cannabis used by each patient;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- the acceptance by customers and the marketplace of new products and solutions;
- the ability to attract new customers and develop and maintain existing customers;
- expectations with respect to future production costs and capacity;
- expectations and anticipated impact of the COVID-19 pandemic;
- expectations with respect to the renewal and/or extension of the Company's permits and licences;
- the ability to protect, maintain and enforce the Company's intellectual property rights;
- the ability to successfully leverage current and future strategic partnerships and alliances;
- the ability to attract and retain personnel;
- anticipated labour and materials costs;
- the Company's competitive condition and expectations regarding competition, including pricing and demand expectations and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets and jurisdictions in which the Company operates or may operate.

Forward-looking statements are based on certain key assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments and other factors the Company believes are appropriate and are subject to risks and uncertainties. Although management believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, shareholders and prospective purchasers of the Company's securities should not place undue reliance on these forward-looking statements. The above list of forward-looking statements is not exhaustive and whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward- looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Certain of the forward-looking statements contained herein concerning cannabis, the general expectations of the Company related thereto, and the Company's business and operations are based on estimates prepared by the Company using 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 the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the current cannabis industry involves risks and uncertainties that are subject to change based on various factors. It is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Readers are cautioned that actual future results may differ materially from management's current expectations and the forward-looking statements contained in this AIF are expressly qualified in their entirety by this cautionary statement. For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this AIF, please see "*Risk Factors*".

MARKET AND INDUSTRY DATA

This AIF may contain market and industry data and forecasts obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this AIF, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

DEFINITIONS

The following is a glossary of certain general terms used in this Annual Information Form, including the summary hereof. Terms and abbreviations used in the financial statements included in, or appended to, this Annual Information Form are defined separately, and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**Aleafia PrivateCo**" means Aleafia Inc., prior to the Business Combination;

"**Arrangement**" means the plan of arrangement completed under the *Canada Business Corporations Act* as contemplated by the Arrangement Agreement;

"**Arrangement Agreement**" means the arrangement agreement dated December 18, 2018 between Aleafia Health and Emblem Corp.;

"**Business Combination**" means the three-cornered amalgamation among Canabo Medical Inc., 2412550 Ontario Inc. and Aleafia PrivateCo resulting in the amalgamation of 2412550 Ontario Inc. and Aleafia PrivateCo to form Aleafia Inc. on March 26, 2018;

"**Business Combination Agreement**" means the business combination agreement dated January 31, 2018 among Canabo Medical Inc., 2412550 Ontario Inc. and Aleafia PrivateCo pursuant to which the parties completed the Business Combination;

"**Canabo Clinics**" means the medical cannabis clinics operated by Canabo Medical Inc.

"**Cannabis 2.0**" means new cannabis product formats, including edibles, topicals and extracts, now legally available in Canada following the amendment of regulations under the *Cannabis Act*;

"**Cannabis Act**" means the *Cannabis Act* (Canada);

"**CannaPacific**" means CannaPacific Pty Ltd., a licensed medical cannabis Company in Newcastle, Australia in which Aleafia Health has a 10% interest;

"**CBCA**" means the Canada Business Corporations Act;

"**Clinics**" means, collectively, the Canabo Clinics and the GrowWise Education Centres.

"**Common Shares**" means the common shares of Aleafia Health;

"**Computershare**" means Computershare Trust Company of Canada;

"**Emblem**" means Emblem Cannabis Corporation, an indirect, wholly-owned subsidiary of Aleafia Health;

"**Emblem Corp.**" means Emblem Corp., a direct, wholly-owned subsidiary of Aleafia Health;

"**Emblem Corp. Shares**" means the common shares of Emblem Corp. acquired by Aleafia Health pursuant to the Arrangement Agreement;

"**Facilities**" means, together, the Niagara Facility, the Paris Facility and the Port Perry Facility;

"**Flying High**" means Flying High Brands Inc., an indirectly owned subsidiary of Aleafia Health;

"**GrowWise Health**" means GrowWise Health Limited, an indirectly, wholly-owned subsidiary of Aleafia Health;

"**GrowWise Education Centres**" means the <u>medical</u> cannabis education centres operated by GrowWise Health.

"**Licensed Producer**" means a licensed producer, as defined in the *Cannabis Act*;

"**Niagara Facility**" mean the Company's licensed production facility located in Grimsby, Ontario;

"**Niagara Licence**" means the Health Canada producer's licence issued to Aleafia Farms Inc. on March 13, 2020, expiring March 13, 2023;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**One Plant**" means One Plant (Retail) Corp., a corporation in which Aleafia Health has a 9.9% indirect interest;

"**Paris Facility**" means the Company's production facility located in Paris, Ontario;

"**Paris Phase II**" is defined under "*Recent and Expected Developments"* below;

"**Paris Licence**" means the Health Canada producer's licence issued to Emblem on August 26, 2015 as amended, expiring July 26, 2022;

"**Port Perry Facility**" means the Company's production facility located in Blackstock, Ontario;

"**Port Perry Phase II**" is defined under "*Recent and Expected Developments"* below;

"**Port Perry Licence**" means the Health Canada producer's licence issued to the predecessor of Aleafia Farms Inc. on October 13, 2017, expiring October 13, 2020;

"**Regulations**" means the Canadian federal *Cannabis Regulations*;

"**Subscription Receipts**" is defined in *Three Year History* below;

"**Subscription Receipt Offering**" is defined in *Three Year* History below;

"**TSX**" means the Toronto Stock Exchange; and

"**TSXV**" means the TSX Venture Exchange.

CORPORATE STRUCTURE

Name, Address and Incorporation

Aleafia Health Inc. was incorporated under the *Business Corporations Act* (British Columbia) on February 2, 2007 as Wyn Metals Inc. Aleafia Health subsequently changed its name on the following dates:

- July 15, 2009: Wyn Metals Inc. changed its name to Award Ventures Ltd.;
- May 28, 2010: Award Ventures Ltd. changed its name to Auracle Resources Ltd.;
- June 16, 2015: Auracle Resources Ltd. changed its name to Four River Ventures Ltd.;
- November 9, 2016: Four River Ventures Ltd. changed its name to Canabo Medical Inc.; and
- March 26, 2018: Canabo Medical Inc. completed the Business Combination, pursuant to which it indirectly acquired all the issued and outstanding shares of Aleafia PrivateCo by virtue of amalgamation with 2412550 Ontario Inc. and changed its name to Aleafia Health Inc.

Aleafia Health's Common Shares began trading on the TSXV under the symbol "ALEF" on March 28, 2018. On June 27, 2018, Aleafia Health was continued from British Columbia into Ontario under the *Business Corporations Act* (Ontario).

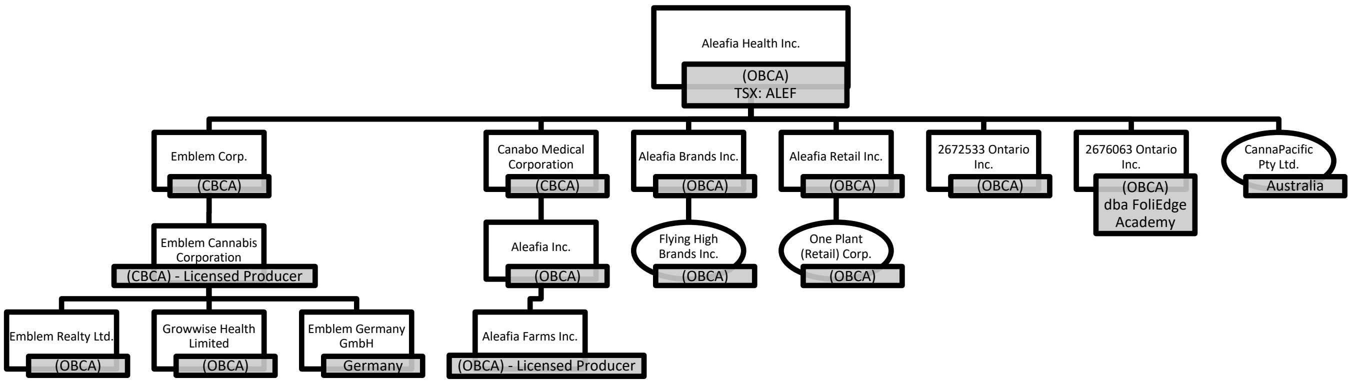
On March 14, 2019, Aleafia Health completed the Arrangement with Emblem Corp., pursuant to which, among other things, Aleafia Health acquired all of the issued and outstanding common shares of Emblem Corp. following Emblem Corp.'s amalgamation with Aleafia Health's wholly-owned subsidiary, 11208578 Canada Inc., to form a new wholly-owned subsidiary of Aleafia Health continuing as "Emblem Corp."

Following the completion of the Arrangement, on March 19, 2019, the Common Shares of Aleafia Health ceased trading on the TSXV and commenced trading on the TSX under its existing symbol "ALEF".

Aleafia Health's head and registered office is located at 8810 Jane Street, 2nd floor, Concord, Ontario and its corporate website is AleafiaHealth.com.

Intercorporate Relationships

As of the date of this AIF, Aleafia Health operates its business through various subsidiaries and associated businesses as described below. The following chart sets out the intercorporate relationships of Aleafia Health:



- **Emblem Corp.**, was incorporated under the CBCA on March 14, 2019. It is a direct, wholly-owned subsidiary of Aleafia Health and primarily operates as a holding company.
- **Emblem Cannabis Corporation** was amalgamated under the CBCA on December 6, 2016. It is an indirect, wholly-owned subsidiary of Aleafia Health, holds the Paris Licence and is a producer of cannabis.
- **Emblem Realty Ltd.** was amalgamated under the CBCA on December 6, 2017. It is an indirect, wholly-owned subsidiary of Aleafia Health and primarily operates as a holding company in respect of certain of the Company's real estate assets.
- **GrowWise Health Limited** was incorporated under the OBCA on March 18, 2015. It is an indirect, wholly-owned subsidiary of Aleafia Health and operates the GrowWise Education Centres.
- **Emblem Germany GmbH** was incorporated in Germany. Through Emblem Cannabis Corporation, the Company controls 60% of this indirect subsidiary of Aleafia Health. It is used as a joint venture vehicle by the Company for opportunities in Germany.
- **Canabo Medical Corporation** was incorporated under the CBCA on March 19, 2014. It is a direct, wholly-owned subsidiary of Aleafia Health that operates the Canabo Clinics.
- **Aleafia Inc.** was amalgamated under the OBCA on March 26, 2018. It is an indirect, wholly-owned subsidiary of Aleafia Health and primarily operates as a holding company.
- **Aleafia Farms Inc.**, formerly 755064 Ontario Inc., later doing business as Aero Farms Canada, was incorporated under the OBCA on March 30, 1988. It is an indirect, wholly-owned subsidiary of Aleafia Health, holds the Port Perry Licence and the Niagara Licence and is a producer of cannabis.

- **Aleafia Brands Inc.** was incorporated under the OBCA on November 20, 2018. It is a direct, wholly-owned subsidiary of Aleafia Health and primarily operates as a holding company in respect of the Company's arrangements with Flying High.
- **Flying High Brands Inc.**, was incorporated under the OBCA on March 27, 2018. The Company controls 51% of this indirect subsidiary of Aleafia Health. It is used as a joint venture vehicle by the Company to license domestic and international cannabis brands.
- **Aleafia Retail Inc.** was incorporated under the OBCA on November 20, 2018. It is a direct, wholly-owned subsidiary of Aleafia Health and primarily operates as a holding company in respect of the Company's arrangements with One Plant.
- **One Plant (Retail) Corp.** was incorporated under the OBCA on November 6, 2018. The Company controls 9.9% of this indirect subsidiary of Aleafia Health. It operates cannabis retail stores.
- **2672533 Ontario Inc.** was incorporated under the OBCA on December 21, 2018. It is a direct, wholly-owned subsidiary of Aleafia Health that currently has no operations.
- **2676063 Ontario Inc.**, was incorporated under the OBCA on December 24, 2018. It is a direct, wholly-owned subsidiary of Aleafia Health doing business as FoliEdge Academy that operates the Company's cannabis education and certification platform.
- **CannaPacific Pty Ltd.** was incorporated in Australia on August 23, 2017. The Company controls 10% of this indirect subsidiary of Aleafia Health. It is an Australian cannabis producer.

GENERAL DEVELOPMENT OF THE BUSINESS

Aleafia Health is a vertically integrated and federally licensed Canadian cannabis company offering cannabis health and wellness services and products in Canada and in international markets where it is legal to do so. The Company operates medical clinics, education centres and production facilities for the production and sale of cannabis. The Company also conducts cannabis research and development and is involved in several joint ventures and invests in cannabis retail and distribution businesses.

The Company's medical cannabis clinics and education centres in Canada are staffed by physicians, nurse practitioners and educators, and have provided medical cannabis therapy to more than 70,000 patients to date. The Company owns three significant cannabis production facilities in Canada (all of which are licensed to produce cannabis), allowing the Company to cultivate cannabis and produce packaged consumer products for sale in Canada in the medical and adult-use markets and internationally.

THREE YEAR HISTORY

Fiscal 2017 (January 1, 2017 to December 31, 2017)

- On October 4, 2017, Aleafia PrivateCo acquired the business and real estate assets that comprise the Port Perry Facility.
- On October 13, 2017, the predecessor of Aleafia Farms Inc. received the Port Perry Licence from Health Canada in connection with the Port Perry Facility.
- On December 22, 2017, Aleafia PrivateCo entered into a letter of intent in respect of the Business Combination.

Fiscal 2018 (January 1, 2018 to December 31, 2018)

- On January 31, 2018, the Company entered into the Business Combination Agreement.
- On February 2, 2018 Emblem Corp. (prior to the Arrangement) and Computershare entered into a trust indenture (the "**Emblem Debenture Indenture**") whereby Emblem issued convertible debentures at a price of $1,000 per $1,000 principal amount of convertible debenture for gross proceeds of $25,000,000 (the "Debentures"). The Debentures were issued under the following terms:
    a) a maturity date of February 2, 2021;
    b) an interest rate of 8% per annum, payable semi-annually;
    c) convertible into common shares of Emblem Corp. (prior to the Arrangement) at $2.30 per share (the "**Conversion Price**"), subject to adjustment in certain events, at the option of the holder; and
    d) at the option of Emblem Corp. (prior to the Arrangement), a requirement for the conversion of the full principal amount of the outstanding convertible debentures at the conversion price on not less than 30 days' notice, should the daily volume weighted average trading price of the outstanding common shares of Emblem Corp. (prior to the Arrangement) on the TSXV be greater than $3.45 for any 10 consecutive days.

    On completion of the Arrangement, Aleafia Health assumed the obligations of the convertible debentures previously issued by Emblem in February 2018 pursuant to a supplemental trust indenture dated March 14, 2019 (the "**Emblem Debenture Supplemental Indenture**"). These convertible debentures were originally sold at a price of $1,000 per unit for gross proceeds of $25.0 million. Under the Emblem Debenture Supplemental Indenture, the convertible debentures are subject to the following terms:
    - a maturity date of February 2, 2021;
    - an interest rate of 8% per annum, payable semi-annually;
    - convertible at $2.3875 per share, subject to adjustment in certain events, at the option of the holder; and
    - Aleafia Health may require the conversion of the full principal amount of the outstanding convertible debentures at the conversion price on not less than 30 days' notice, should the daily volume weighted average trading price of the outstanding common shares of Aleafia Health on the TSX be greater than $4.12 for any 10 consecutive days.

- On March 1, 2018, in connection with the Business Combination but prior to its completion, Aleafia PrivateCo completed a subscription receipt offering of Subscription Receipts for gross proceeds of approximately $30.2 million at a price of $1.25 per Subscription Receipt (the "**Subscription Receipt Offering**"). Each Subscription Receipt entitled the holder thereof to receive, without payment of additional consideration or taking of further action, one unit consisting of one common share and one-half of a common share purchase warrant in the capital of Aleafia PrivateCo, each of which was exchanged on an equivalent basis without additional consideration therefor, into Common Shares and warrants of Aleafia Health upon completion of the Business Combination. Each whole warrant was exercisable into one common share of Aleafia Health, at a price of $1.75 for 18 months following the day on which the Common

Shares recommenced trading on the TSXV following the completion of the Business Combination (the "**TSXV Listing Date**"). In connection with the Subscription Receipt Offering, the agents were issued compensation options to purchase the number of units of Aleafia Health equal to 6% of the number of Subscription Receipts sold at a price of $1.25 for a period of 18 months from the TSXV Listing Date (reduced to 3% of the number of Subscription Receipts sold to 'President's List' purchasers).

- Concurrent with the completion of the Business Combination, Canabo Medical Inc., changed its name to "Aleafia Health Inc." As a result of the Business Combination, Aleafia Health adopted a financial year end of December 31. Following the completion of the Business Combination, the Common Shares of Aleafia Health continued to be listed on the TSXV and recommenced trading under the symbol "ALEF" on March 28, 2018.
- On April 18, 2018 Emblem completed an equity investment into Fire & Flower Inc. pursuant to which Emblem Corp. purchased $2,500,000 of units of Fire & Flower Inc. ("**F&F Units**") at a price of $0.80 per F&F Unit. Each F&F Unit consisted of one common share in the capital of Fire & Flower (each, an "**F&F Share**") and one common share purchase warrant entitling the holder thereof to acquire one (1) additional F&F Share at a price of $1.05 per share for a period of two (2) years, subject to adjustments in certain events (the "**F&F Investment**").
- On May 31, 2018, the Company announced that it had completed its first cannabis harvest at its Port Perry Facility.
- On July 4, 2018, Emblem entered into a supply agreement with the Alberta Gaming and Liquor Commission to supply the province of Alberta with cannabis products (the "**Alberta Supply Agreement**"). The agreement became effective upon signing and continues for one (1) year from the date the *Cannabis Act* came into force; the agreement can be extended for an additional two (2) terms of one (1) year each.
- On July 30, 2018, the Company acquired the Niagara Facility.
- On July 31, 2018, Emblem entered into a supply agreement for non-medical cannabis Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Administrator of the Cannabis Distribution Act, SBC 2018, c 28 (the "**Province of BC**"). Pursuant to the terms of the agreement (the "**British Columbia Supply Agreement**"), Emblem will supply the Province of BC with cannabis products at such quantities as specified in purchase orders issued by the Province of BC as may be issued from time to time at such wholesale prices as determined by the Province of BC. The agreement is for an indefinite term and is subject to the termination by the Province of BC as contemplated therein, including, but not limited to termination upon ninety (90) days' prior written notice.
- On August 1, 2018 Emblem entered into a strategic partnership with Greenspace Brands Inc. ("**GreenSpace**") under which the parties will develop CBD infused health and beauty products for the recreational cannabis market. Under the terms of the partnership, GreenSpace committed to a five-year exclusive supply agreement with Emblem. In addition, Emblem made a $2,000,000 investment in GreenSpace comprised of $1,000,000 in common shares in the capital of GreenSpace at a subscription price of $0.976 per share and $1,000,000 in unsecured convertible debentures to fund the start-up of GreenSpace's CBD business. Emblem will earn a 4% royalty on all hemp-based product sales and a 7% royalty on all cannabis-based CBD product sales, all of the foregoing, the "**Greenspace Agreement**".

- On August 15, 2018, Emblem entered into a supply agreement with the operator of the Ontario Cannabis Store to supply Ontario with locally-grown cannabis products under Emblem's Symbl brand (the "**Ontario Supply Agreement**").
- On August 27, 2018, the Company submitted an application for cultivation, processing and medical sales, in respect of its Niagara Facility to Health Canada.
- On August 31, 2018, Aleafia Farms Inc. received its licence from Health Canada allowing it to sell cannabis from its Port Perry Facility to other Licensed Producers.
- On September 10, 2018 Emblem Corp. completed an equity investment into 10330698 Canada Ltd ("**Compass**") whereby Emblem Corp. purchased $1,000,000 in units of Compass (each a "**Compass Unit**") at a price of $0.60 per Compass Unit, each Compass Unit consisting of one common share in the capital of Compass and one-half of one common share purchase warrant in Compass, with each whole warrant entitling the holder to purchase one (1) additional common share in Compass at a price of $0.75 per common share for a period of twenty-four (24) months from the date of investment (the "**Compass Investment**")
- On October 3, 2018 Emblem agreed to a supply approval with the Saskatchewan Liquor and Gaming Authority dated October 3, 2018 to supply Saskatchewan with cannabis products to authorized provincial wholesalers and retailers in the province of Saskatchewan under Emblem's Symbl brand (the "**Saskatchewan Supply Agreement**").
- On October 24, 2018 Emblem entered into a definitive Agreement with Acnos Pharma GmbH regarding the formation of a joint venture, for the purpose of exporting medical cannabis products into Germany (the "**Acnos JV**"). The joint venture is owned 60% by Emblem and 40% by Acnos.
- On November 23, 2018, Aleafia Brands Inc., acquired a 51% interest in Flying High, a domestic and international (excluding the United States) cannabis brands joint-venture and Aleafia Retail Inc. acquired a 9.9% interest in One Plant, a Canada-wide cannabis retail joint venture. Concurrently, SPE Finance LLC acquired 5,000,000 Common Shares in Aleafia Health at $2.00 per share and Aleafia Health completed a $1 million equity investment in Flying High and a $4 million equity investment in One Plant.
- On December 19, 2018, the Company entered into a definitive agreement with Emblem Corp. under which Aleafia Health would acquire, through the Arrangement, all of Emblem Corp.'s issued and outstanding common shares.

Fiscal 2019 (January 1, 2019 to December 31, 2019)

- On January 17, 2019, the Company entered into an investment agreement with CannaPacific and Dennis Partners Pty Limited, as trustee for Dennis Partners Trust, regarding the supply of cannabis to CannaPacific for importation and distribution in Australia, and under which Aleafia Health acquired 10% of the ordinary shares of CannaPacific (the "**CannaPacific Investment Agreement**").
- On January 25, 2019, the Company announced the first study (to its knowledge) reporting reduced benzodiazepine use among patients initiated and monitored on medical cannabis. Benzodiazepines, a class of psychoactive drugs, include the most common sedatives and anti-anxiety medications. The retrospective study was published in Cannabis and Cannabinoid Research, a peer-reviewed journal, is entitled "Reduction of Benzodiazepine Use in Patients Prescribed Medical Cannabis."

- On February 13, 2019, Emblem Corp. transferred its 3,125,000 common shares in Fire & Flower to Fire & Flower for a non-interest bearing unsecured convertible debenture of Fire & Flower with an aggregate principal amount of $2,500,000 (the "**F&F Debenture**"). The F&F Debenture is convertible into Fire & Flower common shares at a price of no more than $0.80 per common share, subject to an adjustment as set forth in the F&F Debenture. The debentures of Fire & Flower have been converted into convertible debentures of Fire & Flower Holdings Corp., which has acquired all of the issued and outstanding shares of Fire & Flower.
- On March 14, 2019, the Company completed the acquisition of Emblem Corp. pursuant to the Arrangement. Pursuant to the Arrangement Agreement, Aleafia Health acquired all of the issued and outstanding Emblem Corp. Shares in exchange for Common Shares of Aleafia Health following Emblem Corp.'s amalgamation with Aleafia Health's wholly-owned subsidiary, 11208578 Canada Inc., to form a new wholly-owned subsidiary of Aleafia Health continuing as "Emblem Corp." Pursuant to the Arrangement Agreement, Emblem Corp. shareholders received 0.8377 of one Aleafia Health common share (the "**Consideration**") for each Emblem Corp. Share held prior to the Arrangement Agreement with any fractional Aleafia Health Common Share being rounded down to the nearest whole Aleafia Health Common Share. The Emblem Corp. Shares were delisted from the TSXV at the close of business on March 18, 2019. In connection with the Arrangement Agreement, the Company also acquired several material contracts previously entered into by Emblem Corp.
- Prior to the completion of the Arrangement Agreement, Emblem Corp. had three classes of warrants outstanding to purchase Emblem Corp. Shares listed on the TSXV, as follows:

  (i) **EMC.WT** – exercisable at a price of $1.75 with an expiry date of December 6, 2019 (the "**2019 Warrants**") issued pursuant to a warrant indenture between Emblem Corp. and Computershare dated December 6, 2016;

  (ii) **EMC.WT.A** – exercisable at a price of $2.15 with an expiry date of November 16, 2020 (the "**November 2020 Warrants**") issued pursuant to a warrant indenture between Emblem Corp. and Computershare dated November 16, 2017; and

  (iii) **EMC.WT.B** – exercisable at a price of $2.70 with an expiry date of February 2, 2020 (the "**February 2020 Warrants**") issued pursuant to a warrant indenture between Emblem Corp. and Computershare dated February 2, 2018.

  The 2019 Warrants, November 2020 Warrants and February 2020 Warrants are referred to collectively as the "**Listed Emblem Warrants**". As of March 18, 2020, of the Listed Emblem Warrants, only the November 2020 Warrants remain outstanding and trading on the TSXV as Emblem Corp. warrants. Former options to purchase Emblem Corp. Shares were replaced, pursuant to the Arrangement, with replacement Aleafia Health options (on the same terms as the Emblem Corp. options), such that upon exercise will entitle the holder thereof to receive the Consideration.
- On March 14, 2019 Emblem Corp., Aleafia Health and Computershare entered into the Supplemental Emblem Debenture Indenture

- On March 19, 2019, following the Arrangement, the Common Shares of Aleafia Health ceased trading on the TSXV and commenced trading on the TSX under its existing symbol "ALEF".
- On April 16, 2019, Aleafia Health announced that it would add 50,000 kg of extraction capacity upon completion of the Paris Phase II expansion.
- On April 30, 2019, Aleafia Health announced that it had completed the build-out of its expanded Port Perry Facility's outdoor grow site, bringing it to a plant-ready state, pending receipt of required Health Canada approvals.
- On June 5, 2019, Aleafia Health filed a preliminary short form prospectus in connection with a marketed public offering of convertible debenture units at a price of $1,000 per unit. Aleafia Health completed the offering on June 27, 2019, for gross proceeds of $40,250,000, which included the full exercise of the over-allotment option.
- On June 7, 2019, Aleafia Farms Inc. received an amendment to the Port Perry Licence authorizing outdoor cultivation in Zone 1 at its Port Perry Facility. Zone 1 consists of approximately 292,000 sq. ft. of cultivation area.
- On July 12, 2019, Aleafia Farms Inc. received another amendment to the Port Perry Licence, authorizing outdoor cultivation in Zones 2, 3 and 4 at the Port Perry Facility. The amended licence increased the licensed outdoor cultivation area to 1.1 million sq. ft.
- On September 4, 2019, the Company announced that Aleafia Farms Inc. acquired the farmland directly adjacent to its Port Perry Facility. The transaction closed on September 3, 2019, with a cash purchase price of $1.2 million. In addition, Emblem completed the sale of an unused 43-acre property, located at 539 Paris Road in Brant, Ontario for net cash proceeds of $8.2 million.
- On September 23, 2019, Aleafia Health's board of directors approved a revocation of the special resolution of shareholders dated December 6, 2019, that had authorized a share consolidation.
- On October 7, 2019, the Company provided Aphria Inc. ("**Aphria**") formal notice of termination, effective as of that date, of the wholesale supply agreement dated September 11, 2018 between Aphria and Emblem.
- On November 11, 2019, the Company completed its inaugural outdoor grow harvest at its Port Perry Facility. The harvest yielded approximately 10,300 kgs of dried flower.
- On November 29, 2019, Emblem entered into a purchase agreement with a Licensed Producer under which Emblem will supply 2,840,000 grams of cannabis flower at a price of $2.50 per gram.

Recent and Expected Developments

On March 13, 2020, Aleafia Farms Inc. received its Health Canada licence with respect to the Niagara Facility, which allows for cultivation and sale of cannabis.

During fiscal year 2020, the Company expects continued growth of its core business of producing and selling cannabis products. At the cultivation level, the Company will, upon receipt of regulatory approvals, see a significantly expanded cultivation footprint. The "**Port Perry Phase II**" expansion will see the current 26-acre Port Perry Facility outdoor cultivation site expand to 86 acres. The "**Paris Phase II**" expansion will result in a total of 115,000 kg of annual extraction capacity, and is entirely dedicated to the extraction, production, packaging and distribution of high-margin, value-added cannabis health and wellness products. See "*Port Perry Facility*" and "*Paris Facility*" sections for further discussion.

The Company is also planning to increase its portfolio of cannabis products, offering a broader range of formats to consumers in the medical and adult-use markets. Upon receipt of regulatory approval to commence operations at the expanded Paris Facility, the Company will have greater capacity to produce new and its current cannabis product formats.

Significant Acquisitions

On March 14, 2019, the Company completed the acquisition of Emblem Corp. pursuant the Arrangement as described above. In connection with this acquisition, Aleafia Health filed a Business Acquisition Report on May 5, 2019.

DESCRIPTION OF THE BUSINESS

General

See "*General Development of the Business - Period Following the Business Combination (March 28, 2018-December 2018)*" and "*General Development of the Business - Recent Developments*".

The Company's sales and growth strategy derives from the integration of its four primary business units into a highly differentiated consumer ecosystem.

Production Facilities and Licences

A key competitive advantage for Aleafia Health is the strength of its closed loop production ecosystem, across its Facilities.

In aggregate, the Facilities have capacity to cultivate approximately 128,500 kg of dried cannabis flower. Of this total cultivation capacity, 38,500 kg can be produced currently at licensed and operational facilities, while the remainder can be produced upon receipt of Health Canada's approval of the Port Perry Phase II expansion and the Niagara Facility.

The Company's cannabis products are cultivated and manufactured at the following Facilities:

	Cultivation Capacity KGs (annual)			Extraction Capacity KGs (annual)		
Facility	Current	Licence Pending	Total	Current	Licence Pending	Total
Port Perry Facility	31,000	71,000	102,000	-	-	-
Paris Facility	1,500	-	1,500	13,000	102,000	115,000
Niagara Facility	6,000	19,000	25,000	-	-	-
Total capacity	38,500	90,000	128,500	13,000	102,000	115,000

Port Perry Facility

The Company's Port Perry Facility features a 7,000 sq. ft. indoor cannabis cultivation facility, along with a 26-acre outdoor cannabis cultivation site. Aleafia Health pursued outdoor cultivation due to significantly lower facility capital costs and operating costs relative to indoor and greenhouse cultivation.

On November 11, 2019, the Company completed its inaugural 2019 outdoor cannabis harvest at the Port Perry Facility, which yielded approximately 10,300 kg of dried cannabis flower (excluding stems or other parts of the cannabis plants). At the time of the announcement of the harvest, the Company had used conservative estimates to attain the 10,300 kg yield figure. Following completion of drying and curing the final weight of the harvest was taken and the actual outdoor yield was 12,747 kgs.

The harvest provides the Company with a competitive advantage over traditional cultivation facilities, which will only increase as wholesale cannabis prices decline over time as expected.

During September 2019, the Company closed the acquisition of farmland directly adjacent to its Port Perry Facility for a cash purchase price of $1.2 million. The expansion adds an additional 2.6 million sq. ft. (60 acres) of outdoor cultivation area to the Port Perry Facility, for a total of 3.7 million sq. ft (86 acres). Dried flower from the Port Perry Facility is used as raw input material for Aleafia Health's packaged consumer products, and is also sold wholesale to other Licensed Producers.

Due to the seasonality of outdoor cultivation, the Company expects that it may generate greater sales in fiscal quarters corresponding with or immediately following future outdoor cannabis harvests.

Port Perry Licence

On October 13, 2017, Health Canada issued a producer's licence to Aleafia Farms Inc. On March 6, 2018, Health Canada re-issued the Port Perry Licence. The Port Perry Licence expires on October 13, 2020 and has been amended as follows:

(i) August 31, 2018 to authorize the sale of cannabis to Licensed Producers;

(ii) June 7, 2019 to authorize outdoor cultivation in Outdoor Grow Zone 1;

(iii) July 12, 2019 to authorize outdoor cultivation in Outdoor Grow Zones 2, 3 and 4;

(iv) October 10, 2019 to authorize drying in additional facility areas; and

(v) February 28, 2020 to authorize storage in additional facility areas.

In connection with the Port Perry Phase II expansion, the Company has applied for an additional amendment to the Port Perry Licence to authorize outdoor cultivation for the additional 60 acres acquired in September 2019.

Paris Facility

The licensed and operational Paris Facility features cultivation rooms and handles all extraction, packaging and order fulfillment for the Company's medical, adult-use and international sales. The indoor cultivation at the Paris Facility is primarily used for premium dried flower products. Additional extraction machinery has been added at the Paris Facility to ensure adequate extraction capacity to process the 2019 outdoor grow harvest.

As of October 4, 2019, the Company has completed the Paris Phase II expansion, which the Company expects will result in a total of 115,000 kg of annual extraction capacity. The expanded facility has no outstanding capital expenditures with the exception of $2.2 million budgeted for production machinery primarily for Cannabis 2.0 formats. The 30,000 sq. ft. Paris Phase II expansion is entirely dedicated to the extraction, production, packaging and distribution of high-margin, value-added cannabis health and wellness products. The facility is purpose-built to meet

GMP certification requirements. GMP certified facilities demonstrate the highest level of pharmaceutical-grade quality and securing the certification will allow the Company to begin exporting finished goods including cannabis oils and capsules to the European Union market.

The Company is currently in the process of obtaining a European Medical Agency Good Manufacturing Practice ("**GMP**") certification at its Paris Facility which will give the Company the option to operate the Paris Facility to satisfy certain regulatory requirements for exports of cannabis products to markets in the European Union.

Paris Licence

On August 26, 2015, Health Canada issued producer's license number 10-MM0167 to Emblem. The Paris Licence has a current term ending on July 26, 2022. The Paris Licence has been amended as follows:

(i) July 27, 2016 to authorize the sale of cannabis and to permit increased production;

(ii) April 28, 2017 to authorize the production of cannabis oils;

(iii) October 6, 2017 to authorize three additional grow rooms;

(iv) November 3, 2017 to authorize the sale of cannabis oil;

(v) January 31, 2018 to authorize the sale of cannabis resin;

(vi) March 22, 2018 to authorize the sale of encapsulated cannabis oils;

(vii) June 28, 2018 to authorize one additional storage room and one additional production room

(viii) November 09, 2018 to authorize the migration of the Paris Licence to the *Cannabis Act*. Health Canada issued a Standard Cultivation, Standard Processing and Sales for Medical Purposes Licence number LIC-0CNIN0V9QK in place of the license number above**;**

(ix) November 05, 2019 to authorize one additional storage room; and

(x) November 06, 2019 to authorize the sale of cannabis topicals, cannabis extracts and edible cannabis

In connection with the Paris Phase II expansion, Emblem submitted an additional amendment to the Paris Licence on April 18, 2019, to authorize the production and sale of cannabis products in the new Paris Phase II expansion building. See "*Risk Factors - Permits and Licences*".

Niagara Facility

The Niagara Facility features an automated, moving container bench system, which allows for a perpetual, year-round harvest. Capital investments made in automated cultivation and quality assurance systems will assist in reducing both costs and execution risk. The perpetual harvest offsets the seasonal fluctuations in inventory inherent in outdoor cultivation, and will ensure, consistent, standardized input material for medical and adult-use sales channel.

The Niagara Facility is 160,000 sq. ft., with 140,000 sq. ft. of greenhouse area. The remaining 20,000 sq. ft. is for post-cultivation operations including drying, trimming, storage and shipping. It includes nine individually climate controlled drying chambers, which reduces risk of harvest contamination.

Niagara Licence

On March 13, 2020, Health Canada issued producer's licence number LIC-VTQAQTTMOL to Aleafia Farms. The Niagara Licence expires on March 13, 2023. It authorizes cultivation, propagation, harvesting and sale of cannabis in Building 1. Building 1 includes 50,000 sq. ft. of greenhouse area and the entire 20,000 sq. ft. post-cultivation operations area.

The Company expects to submit a Licence amendment application to Health Canada within 30 days following the date the initial licence was granted to authorize operations in the remaining greenhouse 90,000 sq. ft. greenhouse cultivation area.

HEALTH AND WELLNESS SERVICES

Clinics and Patient Education Centres

Aleafia Health operates the largest national network of medical cannabis clinics through its Canabo Clinics, and GrowWise Education Centres. Clinics are operated by qualified physicians and nurse practitioners, among others; provide independent medical cannabis evaluations for patients; and gather data for the purposes of medical cannabis research. Physicians and nurse practitioners operate within the federal and applicable provincial frameworks that govern them in Canada, they prescribe dosage amounts (e.g., THC-CBD ratios) and provide guidance on product composition and formats. Authorized physicians and nurse practitioners do not refer patients to any particular products of Licensed Producers of cannabis and are compensated solely on per patient visit – the compensation of physicians, nurses, educators and staff of the Company's Clinics is in no way determined, directly or indirectly, by a patient's product selection or ultimate purchase decision.

New patients who are authorized to use cannabis products for medical purposes at a Clinic subsequently receive an introductory cannabinoid education session with a Clinic educator, who is responsible for helping the patient navigate the cannabis regulatory system, providing patient education with respect to treatment with cannabinoids and medical cannabis generally, the different cannabis cultivars and cannabinoid profiles, how to access medical cannabis from Licensed Producers. They also address common questions around accessing insurance coverage, compassionate pricing, concerns about domestic and international travel, and potential side effects of cannabis. The educator acts as a resource for each patient after the initial assessment. Educators fill a role similar to a pharmacist, providing patients with education on safety and side effects, customized treatment plans and ongoing support, while reducing the administrative burden of cannabis authorization on the physician and their Clinic.

GrowWise educators are health care professionals (i.e. licensed practical nurses, registered practical nurses, or registered nurses). GrowWise educators undertake a comprehensive two-week internal training program, followed by a shadowing period of another qualified educator in a clinic setting for approximately two weeks prior to operating on their own. Canabo Clinic educators receive written materials in advance of starting in-clinic for self-study. Their first week on board is comprised of shadowing another educator and the second week is focused on patient follow-up and not new patients and the new educator is shadowed by another educator. During the third week individuals operate on their own but are still under supervision.

Telemedicine

Telemedicine is a key priority to scale the Company's health and wellness ecosystem and the Company has invested in greater telemedicine capabilities. This allows patients who are from remote communities or may not be able to travel, the ability to undergo a physician consultation over the internet from their own home, using provincially approved telemedicine services.

FoliEdge Academy

The Company has developed a series of proprietary, unique cannabis education and certification courses within its online learning platform FoliEdge Academy. The programs are provided through a learning management system that is delivered on a software-as-a-service (SAAS) basis and are targeted toward physicians, nurses and other healthcare professionals, patients and their family members. The courses harness the Company's cannabis expertise, with content developed by experts including physicians practicing in the Canabo Clinics.

On December 10, 2019, the Company announced that FoliEdge Academy Inc. had entered into a definitive Educational Products Distribution Agreement with Seneca College to develop and deliver new courses and programs focused on aspects of the cannabis industry in Canada. A range of courses are currently underway and publicly available.

Data Collection and Research

Aleafia Health conducts medical cannabis data collection and research on the efficacy of cannabinoid treatment. Custom data collection modules are currently in use at Canabo Clinics to monitor trends and effectiveness of medical cannabis and specific cultivars. Patient confidentiality is maintained utilizing standard clinical research practices. The Company has published research papers in peer-reviewed academic journals. In addition to data collection, the Company also undergoes ethics approval for specific studies and may partner with industry participants to conduct studies with the goal of having them published in peer reviewed journals.

On January 25, 2019, the Company announced the first study (to its knowledge) reporting reduced benzodiazepine use among patients initiated and monitored on medical cannabis. Benzodiazepines, a class of psychoactive drugs, include the most common sedatives and anti-anxiety medications. The retrospective study was published in Cannabis and Cannabinoid Research, a peer-reviewed journal, is entitled "Reduction of Benzodiazepine Use in Patients Prescribed Medical Cannabis."

CANNABIS PRODUCTS

The Company currently produces a series of products including dried flower, pre-rolls, oil drops, oil capsules and oral sprays.

Cannabis Oils

Emblem commenced sales of cannabis oil products to authorized patients in December 2017. Cannabis oil is packaged with an oral syringe to ensure consistency and accuracy in dosage, allowing patients to better titrate and administer each dose consistently.

Oral Sprays

In September 2018, Emblem announced the launch of its first oral metered-dose spray, "Emblem Atmosphere", which is developed using medium-chain triglycerides (MCT) oil, a pharmaceutical-grade carrier oil derived from coconuts that is flavour-neutral, odourless and shelf-stable. The oral sprays are intended to be administered sublingually, with each spray delivering 0.1 millilitres of oil, or roughly 2 milligrams of active ingredients. Emblem Atmosphere comes in a 15 millilitre cannister, with approximately 150 sprays per bottle.

Oil-filled Capsules

Capsules deliver consistent and accurate dosages which allow physicians and patients to more accurately titrate cannabis intake. The Company 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 market. Emblem commenced production of oil-filled capsules and commenced sales in Q4 of 2018.

Cannabis-Infused Sublingual Strips

Recognizing the importance of consistent, precise dosing and a discrete, reliable delivery methods, the Company is currently in the process of bringing cannabis infused sublingual strips to the Canadian medical and adult-use markets. To accelerate this process and recognizing the financial costs and time associated with developing new product formats, Emblem reached a definitive licensing agreement with Kinstate Inc., to bring their award-winning, cannabis-infused sublingual strips brand and underlying technology to the Canadian market. The agreement provides the Company with the exclusive Canadian rights to manufacture, market and sell the brand, Kin Slips, along with rights to use the associated proprietary formulations and manufacturing methodology.

New Cannabis 2.0 Formats

The Company believes that maintaining a diverse portfolio of high-quality, differentiated product formats is an important element in the long-term success of the Company. Leveraging the Company's substantial investments in its Paris Facility, the Company intends to produce a wide variety of new Cannabis 2.0 formats in-house, for sale in the Canadian and international adult-use and medical markets.

The Company's majority owned subsidiary, Flying High has entered into exclusive, definitive licensing and distribution agreements with four international cannabis companies representing over 100 product SKUs across a wide variety of consumer formats, including edibles, topicals and beverages. These agreements provide exclusive rights to certain formulas, production and packaging technologies to produce, market and sell brands in Canada in exchange for certain royalty payments.

DISTRIBUTION & SALES

Retail & Adult-use

The Company sells its cannabis products in the Canadian adult-use market under the brand Symbl through supply agreements or authorizations with the Provinces of Ontario, British Columbia, Alberta and Saskatchewan. The Company also has made an equity investment in and owns 9.9% percent of One Plant. Five retail stores are now operational under the One Plant brand in Ontario.

International

As governments continue to legalize cannabis usage, the Company continues to pursue international expansion opportunities by leveraging its expertise in clinic operations, doctor and patient education, and cannabis products.

Over the course of 2019, the Company completed several exports of cannabis products to Australia, for distribution by CannaPacific, along with an export of white label products, produced by the Company on behalf of Montu Group Pty. Ltd.

The Company also expects to have medical cannabis products available in the German market via its joint-venture Emblem Germany GmbH, leveraging the distribution network of its joint-venture partner Acnos. The newly constructed Emblem Germany GmbH cannabis distribution centre, located in Aachen, Germany is expected to be completed in Q2 2020.

The Company is also currently pursuing a number of other international expansion opportunities in other markets.

Medical

The Company sells its cannabis products in the Canadian medical market, under the brand "Emblem". Patients with a medical authorization are able to purchase Emblem products online through a secure website operated by the Company and the Company ships the order directly to the patient. All medical cannabis products are produced at, and distributed from, the Paris Facility.

EMPLOYEES

As of the date of this AIF, the Company engages 173 full-time equivalent employees. For more information on the Company's directors and executive officers see "*Directors and Officers*" for further discussion.

INTANGIBLE PROPERTIES

The ownership and protection of Aleafia Health's intellectual property rights is a significant aspect of the Company's future success. The Company relies on trade secrets, technical know-how and proprietary information and it protects its intellectual property by seeking and obtaining registered protection where possible, developing and implementing standard operating procedures to protect trade secrets, technical know-how and proprietary information and entering into agreements with parties that have access to the Company's inventions, trade secrets, technical know-how and proprietary information, such as the Company's partners, collaborators, employees and consultants, to protect confidentiality and ownership. The Company also seeks to preserve the integrity and confidentiality of its inventions, trade secrets, trademarks, technical know-how and proprietary information by maintaining security of its premises and information technology systems.

The Company has sought trademark protection in many countries, including Canada, Germany and under the European Union Intellectual property Office (EUIPO). The Company's ability to obtain registered trademark protection for cannabis-related goods and services may be limited in certain countries outside of Canada, including the U.S., where registered federal trademark protection is currently unavailable for trademarks covering the sale of cannabis products (a controlled substance); and including the European Union, where laws on the legality of cannabis use are not uniform. Accordingly, the Company's ability to obtain intellectual property rights or enforce intellectual property rights against third party uses of similar trademarks may be limited in certain circumstances. See "*Risk Factors - Intellectual Property*".

REGULATION OF CANNABIS IN CANADA

On October 17, 2018, the *Cannabis Act* came into force as law with the effect of legalizing adult recreational use of cannabis across Canada. The *Cannabis Act* replaced the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and *Industrial Hemp Regulations* ("**IHR**"), both of which came into force under the *Controlled Drugs and Substances Act* ("**CDSA**"), which previously permitted access to cannabis for medical purposes for only those Canadians who had been authorized to use cannabis by their health care practitioner. The ACMPR replaced the *Marijuana for Medical Purposes Regulations* ("**MMPR**"), which was implemented in June 2013. The MMPR replaced the *Marijuana Medical Access Regulations* ("**MMAR**"), which was implemented in 2001. The MMPR and MMAR were initial steps in the Government of Canada's legislative path towards the eventual legalization and regulating recreational and medical cannabis.

The *Cannabis Act* permits the recreational adult use of cannabis and regulates the production, distribution and sale of cannabis and related oil extracts in Canada, for both recreational and medical purposes. Under the *Cannabis Act*, Canadians who are authorized by their health care practitioner to use medical cannabis have the option of purchasing cannabis from a Licensed Producer and are also able to register with Health Canada to produce a limited amount of cannabis for their own medical purposes or to designate an individual who is registered with Health Canada to produce cannabis on their behalf for personal medical purposes.

Pursuant to the *Cannabis Act*, subject to provincial regulations, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis, or the equivalent amount in fresh cannabis or cannabis oil. The *Cannabis Act* also permits households to grow a maximum of four cannabis plants. This limit applies regardless of the number of adults that reside in the household. In addition, the *Cannabis Act* provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements of the *Cannabis Act*, such as increasing the minimum age for purchase and consumption.

In connection with the new framework for regulating cannabis in Canada, the Federal Government has introduced new penalties under the *Criminal Code* (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette to support the *Cannabis Act*, including the *Cannabis Regulations, the Industrial Hemp Regulations* along with proposed amendments to the *Narcotic Control Regulations* and certain regulations under the *Food and Drugs Act*. These regulations, among other things, outline the rules for the legal cultivation, processing, research, analytical testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licences that can be granted, and set standards for cannabis and hemp products; they include strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for all federally licensed production sites. They also maintain a distinct system for access to cannabis. With the *Cannabis Act* now in force, cannabis has ceased to be regulated under the CDSA and is instead regulated under the *Cannabis Act*, and both the ACMPR and the *Industrial Hemp Regulations* have been repealed effective October 17, 2018. See "*Risk Factors – Changes in Law, Regulations and Guidelines*".

On December 20, 2018, the federal government released draft regulations to amend Schedule 4 to the *Cannabis Act* to add three new classes of cannabis that could be legally sold by federal licence holders and provincially and territorially authorized distributors and retailers. Those three new classes would be "edible cannabis," "cannabis extracts," and "cannabis topicals." It proposed to amend the *Cannabis Regulations* to establish new regulatory controls to address the public health and public safety risks associated with these new classes of cannabis, including their appeal to youth and the risks of accidental consumption, overconsumption, and foodborne illness, among other risks. These controls would include restrictions on product composition and ingredients, tetrahydrocannabinol (THC) limits, and new requirements pertaining to packaging and labelling, good production practices and record keeping.

Health Canada conducted a consultation period between December 20, 2018 and February 20, 2019 and the regulations took effect on October 17, 2019.

On January 6, 2020, new regulations came into force in Ontario that allow for greater participation by licence holders in the Ontario cannabis retail market. The cap on the number of Ontario retail stores was eliminated and certain pre-qualification requirements were removed. Under the new regulations, the Alcohol and Gaming Commission of Ontario commenced reviewing Retail Store Authorizations applications on March 2, 2020. These new regulations also allow licence holders to open a single cannabis store at one of their production facilities in Ontario. Further, licence holders will now be permitted to increase their ownership or control of an Ontario retail operator licensee corporation from 9.9 per cent to 25 per cent. There are risks that the Company's involvement in the retail market, through either a permitted store at a production facility or through an interest in a retail operator licensee corporation, may not be successful. There are risks that the Ontario regulator may not approve these operations. There are also financial risks that any retail operations the Company seeks may not be profitable and may result in substantial financial losses.

RETAIL FRAMEWORKS IN RELEVANT JURISDICTIONS

Alberta

Alberta Gaming, Liquor, and Cannabis ("**AGLC**") regulates the retail sale of recreational cannabis in Alberta. AGLC issues cannabis retail licenses to private retailers that receive their products from the government-regulated distributor. The framework for retail stores in Alberta includes:

(i) limiting a person or group of persons (as characterized by the AGLC) to a 15% market share in the province, which includes restricting the number of licences held by any one licensee to 42 until December 31, 2020;

(ii) implementing certain restrictions on relationships between retail licence holders and Licensed Producers; and

(iii) prohibiting any retail licence holder from participating in online sales of cannabis, which is restricted to the ALGC online portal.

British Columbia

The Liquor & Cannabis Regulation Branch ("**LCRB**") regulates the retail sale of recreational cannabis in British Columbia. LCRB issues cannabis retail licenses to private retailers that receive their products from the government-regulated distributor and operates its own public retail stores. The framework for retail stores in British Columbia includes:

(i) limiting the number of retail licenses per retailer to eight;

(ii) implementing certain restrictions on relationships between retail licence holders and Licensed Producers; and

(iii) prohibiting any retail licence holder from participating in online sales of cannabis, which is restricted to the LCRB online portal.

Ontario

On December 12, 2019, the Government of Ontario announced changes to expand the cannabis retail store network in the province, effective January 2020. Notably, the Government of Ontario eliminated the cap on the number of retail stores in the province and increased the permissible ownership share from 9.9 per cent to 25 per cent of retail store licensee corporations by Licensed Producers. The framework for retail stores in Ontario:

(i) requires retailers to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores;

(ii) restricts retailers from selling cannabis online;

(iii) limits Licensed Producers (and their "affiliates", which is a currently undefined term) to operating one retail cannabis store, which must be located at the site listed on such Licensed Producer's federal licence;

(iv) requires anyone who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees to have a cannabis retail manager license; and

(v) prohibits Licensed Producers from promoting their products by way of providing any material inducement to cannabis retailers.

Cannabis retail store operators are only permitted to purchase cannabis from the Ontario Cannabis Store, which may set a minimum price for cannabis or classes of cannabis.

Saskatchewan

The Saskatchewan Liquor and Gaming Authority ("**SLGA**") regulates the retail sale of recreational cannabis in Saskatchewan. The SLGA issues cannabis retail licences to private retailers for operating retail cannabis stores and selling cannabis online. Under the existing system, announced in March 2018, only communities with 2,500 people or more qualify for retail permits, and larger communities get a set number of permits allocated through a lottery system, with 51 permits available provincewide. In October 2019, the SLGA announced that it would loosen these restrictions and, as of April 2020, would remove the 2,500-person threshold and, in September, the SLGA plans to remove the limit on how many stores can open in each community.

RISK FACTORS

Due to the nature of the Company's business and the legal and economic climate in which it operates, the Company is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that the Company may face. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business and operations. If any of the following or other risks are realized, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event the trading price of the Company's shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

REGULATORY AND LEGAL RISKS

Compliance with Laws

The adult-use and medical cannabis industries and markets are subject to a variety of laws in Canada and internationally.

The business and activities of the Company are heavily regulated. 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 cannabis, and also including laws and regulations relating to health and safety, healthcare practitioner services, 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.

To the knowledge of management, the Company is currently in compliance under the *Cannabis Act*. 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 its 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 it may have a material adverse effect on the Company's business, financial condition and results of operations. Any amendment to or replacement of the *Cannabis Act* or other applicable rules and regulations governing the Company's activities may cause adverse effects on the Company's business, financial condition and results of operations.

There is also a risk that the Company's interpretation of laws, regulations and guidelines, including, but not limited to the associated regulations and applicable stock exchange rules and regulations, may differ from those of others, including those of governmental authorities, securities regulators and exchanges, and the Company's operations may not be in compliance with such laws, regulations and guidelines.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a material adverse effect on the Company's business, financial condition and results of operations.

Further, the Company is subject to ongoing inspections by Health Canada to monitor compliance with licensing requirements. The Company's existing Licences and any new licences that it may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that the Company is found not to be in compliance. Should the Company fail to comply with the applicable regulatory requirements or with conditions set out under its Licences or should its Licences be revoked, the Company may not be able to continue producing or distributing cannabis in Canada.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. The Company may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Changes in Laws, Regulations and Guidelines

The legislative framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories resulting in an asymmetric regulatory and market environment, different competitive pressures and significant additional compliance and other costs and/or limitations on the Company's ability to participate in such markets.

The laws, regulations and guidelines applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen by the Company. The *Cannabis Act* came into effect on October 17, 2018. However, uncertainty exists with respect to the implementation of the *Cannabis Act*, federal regulations thereunder as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use, recreational purposes.

Since cannabis remains illegal under U.S. federal law (other than recent the recent hemp legalization) any engagement in cannabis-related activities may lead to heightened scrutiny by regulatory bodies and other authorities that could negatively impact the Company and/or its personnel.

The impact of these new laws, regulations and guidelines on the business of the Company, including increased costs of compliance and other potential risks, cannot be fully predicted; accordingly, the Company may experience adverse effects.

Reliance on Licences and Permits

The Company's ability to grow, store and sell cannabis in Canada is dependent on its Licences from Health Canada. Failure to comply with the requirements of the Licences or any failure to maintain its Licences would have a material adverse effect on the business, financial condition and operating results of the Company.

The Port Perry Licence will expire on October 13, 2020 and the Paris Licence will expire on July 26, 2022. Although management believes it will meet the requirements of the *Cannabis Act*, for extension of the Licences, there can be no guarantee that Health Canada will extend or renew the Licences 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 Licences, or should it renew the Licences 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.

The Company is dependent upon its Licences for its ability to grow, store and sell cannabis and other products derived therefrom at the Port Perry and Paris Facilities**.** The Licences are subject to ongoing compliance, reporting requirements and renewal.

In addition to the Licences, the operations of the Company may require other Licences and permits from various governmental authorities, including, but not limited to, local municipalities. The Company currently has all non-federal permits and Licences 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.

Regulatory or Agency Proceedings, Investigations and Audits

The Company's businesses require compliance with certain laws and regulations. Failure to comply with applicable laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could lead to damage awards, fines and penalties.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition.

There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Reliance on Facilities

The Port Perry Facility, the Paris Facility and the Niagara Facility are integral to the Company's business and adverse changes or developments affecting any of the Port Perry Facility, Paris Facility or the Niagara Facility may impact the Company's business, financial condition and results of operations.

Adverse changes or developments affecting the Port Perry Facility, Paris Facility or Niagara Facility, including but not limited to a force majeure event or a breach of security, could have a material 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 its existing licence or the prospect of renewing the licence or could result in a revocation of the licence. In addition, the Company has made an application for an expanded outdoor grow licence at the Port Perry Facility. While the Company expects, with the addition of this licence, that the Port Perry Facility has the potential to significantly increase the Company's cultivation and growing capacity, no assurance can be given that this will be the case.

GMP Certification

In order to produce and export medical cannabis products to the German and broader European Union market, the Company must first receive GMP certification at its Paris Facility. As GMP certification requires the highest standards of pharmaceutical grade production and quality controls, the certification process can be lengthy and difficult to obtain. Until such time as the certification is obtained, if at all, the Company will not be able to export its cannabis products to the European Union market.

Constraints on Marketing Activities

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities and the potentially broad interpretation of such restrictions imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased sales prices for its products, the Company's sales and operating results could be adversely affected.

Intellectual Property

The Company's success depends in part on its ability to protect its rights to intellectual property and/or to license intellectual property rights on favourable terms. The Company relies upon various forms of intellectual property protection, including copyright, trademarks and trade secrets, as well as contractual provisions, to protect intellectual property rights. Despite precautionary measures, the steps the Company takes may not prevent misappropriation of the Company's intellectual property, and the agreements the Company enters into may not be enforceable. It may also be possible for third parties to obtain and use the Company's intellectual property without authorization. Policing unauthorized use of intellectual property is difficult, time-consuming and costly. Further, some foreign laws do not protect proprietary rights to the same extent as the laws of Canada.

With respect to the trademark and patent applications that the Company has filed, the Company cannot offer any assurances about whether such applications will be granted. Even if trademark and patent applications are successfully approved, third parties may challenge their validity, enforceability, or scope, which may result in such trademarks or patents being narrowed, found unenforceable or invalidated. Even if they are unchallenged, any trademark or patent applications and future trademarks and patents may not adequately protect the Company's intellectual property, provide exclusivity for its products or processes, or prevent others from designing around any issued patent claims. Any of these outcomes could impair the Company's ability to prevent competition from third parties, which may have an adverse impact on the Company's business.

Trademark protection is an important factor in establishing product recognition. The Company's ability to protect its trademarks from infringement could result in injury to any goodwill which may be developed in those trademarks. Moreover, the Company may be unable to use one or more of its trademarks because of successful third-party claims.

To protect the Company's intellectual property, it may become involved in litigation, which could result in substantial expenses, divert the attention of management, cause significant delays, materially disrupt the conduct of business or adversely affect the business, financial condition and results of operations.

In addition, other parties may claim that the Company's products infringe on their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages.

The Company also relies on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company's trade secrets, technical know-how and proprietary information, which are not protected by patents, may become known to or be independently developed by competitors, which could adversely affect the Company.

OPERATING RISKS

The Cannabis Industry in Canada

As a Licensed Producer, the Company is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of restrictions on sales and marketing or restrictions on sales in certain areas, could have a material adverse effect on the Company's business, financial conditions and results of operations.

Limited Operating History

The Company is a relatively early stage company having been established as a result of the Business Combination in early 2018 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its growing, marketing and sales efforts. Additionally, where the Company experiences increased sales its current operational infrastructure may require changes to scale the business efficiently and effectively to keep pace with demand and achieve long-term profitability. If the Company's products and services are not accepted by new customers, the Company's operating results may be materially and adversely affected.

Operating in a New and Evolving Industry

The nature of the new and rapidly evolving industry and developing market for cannabis may result in management having to change focus and strategy and adapt to an evolving and changing market and industry. In addition, the Company will be susceptible to adverse developments in this new market and industry, the sole market in which it operates, such as new developments, changing demographics, changing regulatory regime and other factors.

If the Company is unable to successfully operate as a Licensed Producer, this could substantially reduce its earnings and its ability to generate stable positive cash flow from its operations and may reduce the value of the Common Shares and adversely affect the Company's ability to raise additional capital.

Reliance on Third Party Suppliers, Manufacturers and Contractors

The Company's business is dependent on a number of fundamental inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for certain inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could result in a material adverse effect on the operations of the Company and materially adversely impact the business, financial condition and operating results of the Company.

Third Party Transportation

In order for customers of the Company to receive products from the Company, the Company must rely on third party mail and courier services. This can cause logistical problems with and delays in customers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation and/or rising costs associated with these services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financial condition and operating results of the Company. Any such breach could impact the Company's ability to continue operating under its Licences or impede the prospect of renewing its Licences.

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 cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Supply Shortages and Overages

The Company may not be able to obtain from third parties, or produce, enough cannabis to meet demand. This may result in lower than expected sales and revenues and increased competition for sales and sources of supply.

In the future, licensed producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian adult-use and medical markets, and they may be unable to export the oversupply into other markets where cannabis use is also legal. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If such supply or price fluctuations occur, the Company's revenue and profitability may fluctuate materially and its business, financial condition, results of operations and prospects may be adversely affected.

In addition, demand for cannabis and cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. A material decline in the economic conditions affecting consumers can cause a reduction in disposable income for the average consumer, change consumption patterns and result in a reduction in spending on cannabis products or a switch to other products obtained through illegal channels. There can be no assurance that market demand for cannabis will continue to be sufficient to support the Company's current or future production levels.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's supply chains, interrupt operations at its facilities, increase operating expenses, resulting in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred:

(i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.;

(ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "*Public Health Crises, including COVID-19*");

(iii) political instability, social and labour unrest, war or terrorism; or

(iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public Health Crises, including COVID-19

A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products. COVID-19 could affect the Company's ability to conduct its operations and may result in temporary shortages of staff to the extent its work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including a potential reduction in patient visits at the Company's Clinics and, as a result, potential lost revenue.

Effectiveness of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the business, financial condition and operating results of the Company.

Development of New Products and Technologies

The Company and its competitors are actively seeking to develop new products in order to keep pace with any new market developments and generate revenue growth. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The technologies, processes and formulations the Company uses may also face competition or become obsolete. Rapidly evolving markets, technology, emerging industry standards and frequent introduction of new products characterize the cannabis business. The introduction of new products and new technologies, including new manufacturing processes or formulations, and the emergence of new industry standards may render the Company's current products obsolete, less competitive or less marketable.

The process of developing new products is complex and requires significant continuing costs, development efforts and third-party commitments. The Company may be unable to anticipate changes in customer requirements that could make its existing technology, processes or formulations obsolete. The Company's success will depend on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. Failure to develop new technologies and products and the obsolescence of existing technologies or processes could adversely affect the Company's business, financial condition, results of operations and prospects.

Reliance on Skilled Workers and Equipment

The ability of the Company to compete and grow cannabis will be dependent on it having access to, at a reasonable cost and in a timely manner, skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company may be significantly greater than anticipated by management, and may be greater than funds available, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the operations and financial results of the Company.

Attraction and Retention of Key Personnel

The Company has a small management team and the loss of a key individual or inability to attract suitably qualified management could have a material adverse effect on the Company's business. While employment and management services agreements are customarily used as a primary method of retaining the services of key personnel, these agreements cannot assure the continued services of such persons.

The Company may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which it conducts business. In addition, there is a risk that management or key personnel will fail to execute in their roles or falter in judgment in certain circumstances, all of which could have an adverse effect on the operations and financial results of the Company.

FINANCIAL RISKS

Compliance with TSX Requirements

On October 16, 2017, the TSX provided clarity regarding the application of Section 306 (Minimum Listing Requirements), Section 325 (Management) and Part VII (Halting of Trading, Suspension and Delisting of Securities) of the TSX Company Manual (collectively, the "**Requirements**") to TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017-0009, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the Requirements. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the Requirements, the TSX has the discretion to initiate a delisting review. Failure to comply with the Requirements could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's Common Shares commenced trading on the TSX (under the symbol "ALEF") on March 19, 2019.

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including, but not limited to, the Canadian Securities Administrators, the TSX, and the Ontario Securities Commission. These rules and regulations continue to evolve in scope and complexity, creating many new requirements.

No Assurance That Listing Standards of TSX Will Continue to be Met

The Company must meet continuing listing standards to maintain the listing of the Common Shares on the TSX. If the Company fails to comply with listing standards and the TSX delists the Common Shares, the Company and its shareholders could face significant material adverse consequences, including but not limited to:

(i) a limited availability of market quotations for the Common Shares;

(ii) reduced liquidity for the Common Shares;

(iii) a determination that the Common Shares are "penny stock," which would require brokers trading in the Common Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the Common Shares;

(iv) a limited amount of news about the Company and analyst coverage; and

(v) a decreased ability for the Company to issue additional equity securities or obtain additional equity or debt financing in the future.

Volatile Market Price of the Common Shares

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities for a profit, or at all. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts (including short-sellers) or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors.

Financial markets have historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially adversely affected.

Obligations as a Public Company

As a public company, the Company is subject to corporate governance and public disclosure requirements that may increase the Company's compliance costs and risk of non-compliance, which could adversely impact the price of the Common Shares.

Dilution

The Company's articles permit the issuance of an unlimited number of Common Shares and shareholders will have no pre-emptive rights in connection with such further issuance. The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company.

Ability to Establish and Maintain Bank Accounts

While the Company does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for the Company. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Company will be required to seek alternative payment solutions. If the industry were to move towards alternative payment solutions, the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Cash Flow from Operations

Operating cash flow may decline in certain circumstances, many of which are beyond the Company's control. There is no assurance that sufficient revenues will be generated in the near future. Since the Company expects to continue incurring significant future expenditures for the expansion of its facilities, the Company will continue to experience negative cash flow until it reaches a sufficient level of sales with positive gross margins to cover operating expenses. An inability to generate positive cash flow until the Company reaches a sufficient level of sales with positive gross margins to cover operating expenses or raise additional capital on reasonable terms may adversely affect the Company's viability as an operating business.

Additional Financing and Restrictions

The continued development of the Company may require additional financing. Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The failure to raise additional capital could result in the delay or indefinite postponement of current business objectives or the Company becoming insolvent. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, on terms that are favourable or acceptable to the Company.

In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed in whole or in part, by debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Joint Venture Vehicles

The Company currently operates parts of its business through joint ventures with other companies, and it may enter into additional joint ventures and strategic alliances in the future. Joint venture investments may involve risks not otherwise present for investments made solely by the Company, including: control, additional expenditures, conflicting interests and exit strategy, which could have a material adverse effect on the Company, its financial condition and results of operations. In addition, the Company may, in certain circumstances, be liable for the actions of its joint venture partners.

Ability to Achieve or Maintain Profitability

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Wholesale Price of Cannabis Volatility

The Company's revenues are in a large part derived from the production, sale, and distribution of cannabis. The cost of production, sale, and distribution of cannabis is dependent on a number of key inputs and their related costs, including equipment and supplies, labour and raw materials related to the Company's growing operations, as well other overhead costs such as electricity, water, and utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's financial condition and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition, results of operations and prospects. There is currently no established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the Company's business, financial condition and operations.

The Company's operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as the Company's profitability is directly related to the price of cannabis. Any price decline may have a material adverse effect on the Company.

Impact of the Illicit Supply of Cannabis

Despite the legalization of medical and adult-use cannabis in Canada, illegal operations remain. Illegal dispensaries and market participants may be able to:

(i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations;

(ii) use delivery methods, including certain edibles, concentrates and extract vaporizers, that we are currently prohibited from offering to individuals in Canada;

(iii) use marketing and branding strategies that are restricted under the *Cannabis Act* and *Cannabis Regulations*; and

(iv) make claims not permissible under the *Cannabis Act* and other regulatory regimes.

As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in Canada, their operations may also have significantly lower costs.

As a result of the competition presented by the illicit market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from Licensed Producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could:

(i) result in the perpetuation of the illicit market for cannabis;

(ii) adversely affect the Company's market share; and

(iii) adversely impact the public perception of cannabis use and Licensed Producers, all of which could have a materially adverse impact on the Company's business, operations and financial condition.

Vulnerability to Rising Energy Costs

The Company's cannabis growing operations will consume considerable energy, which will make the Company vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Employee Health and Safety Regulations

The Company's operations are subject to laws and regulations concerning employee health and safety and the Company will incur ongoing costs and obligations related to compliance with such matters. Failure to comply with safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. In addition, changes in employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could result in a material adverse effect on the operations of the Company.

ENVIRONMENTAL RISKS

Environmental Regulations and Risks

The Company's operations are subject to environmental regulation federally and in the municipal and provincial jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards. They also set forth limitations on the generation, transportation, storage and disposal of waste. Environmental legislation is evolving in a manner which will require increasingly stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Risks Inherent in an Agricultural Business

The Company will be subject to the general risks inherent in the ownership and operation of the business of planting, growing, harvesting and marketing cannabis, which, as an agricultural product, is subject to the general risks associated with all agricultural products such as disease, insect pests, changes in raw material costs, the risk and uncertainties of planting, growing and harvesting, environmental matters, considerations relating to product quality, grading and branding, changes in laws and other general economic and market conditions.

Weather conditions and climate, which can vary substantially from year to year, may have a significant impact on the size and quality of the harvest of the crops processed and sold by the Company. Such adverse weather patterns could result in more permanent disruptions in the quality and size of the available crop, which could adversely affect the Company's business.

Like other agricultural products, the quality of cannabis grown outdoors is affected by weather and the environment, which can change the quality or size of the harvest. If a weather event is particularly severe, such as a major drought or hurricane, the affected harvest could be destroyed or damaged to an extent that it would be less desirable to the Company's customers, which could result in a reduction in revenues. If such an event is also widespread, it could affect the Company's ability to acquire the quantity of products required by customers. In addition, other items can affect the marketability of cannabis grown outdoors, including, among other things, the presence of non-cannabis related material, genetically modified organisms and excess residues of pesticides, fungicides and herbicides.

OTHER RISKS

Competition

To date, Health Canada has issued hundreds of Licences to produce, cultivate and/or sell cannabis. As a result, the Company has significant competition from other companies, some of which have longer operating histories and greater financial resources, operating and marketing experience than the Company. Additionally, a large number of companies appear to be applying for production licences, some of which may:

(i) have significantly greater financial, technical, marketing and other resources;

(ii) be able to devote greater resources to the development, promotion, sale and support of their products and services; and

(iii) have more extensive customer bases and broader customer relationships.

Should the size of the cannabis market increase as projected the demand for products will increase as well, and in order for the Company to be competitive it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in attaining sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial conditions and operations.

Unfavourable Publicity or Consumer Perceptions

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or publicity will be favourable to the medical or recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company.

Adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have a material adverse effect on the Company's business, financial condition and results of operations. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

New Industry and Market

The Company's business as a Licensed Producer represents a relatively new industry and nascent market. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, the Company will need to build brand awareness in the new industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations, especially against competitors who have already spent some time building their brands. These activities may not promote the Company's brand and products as effectively as intended, or at all.

This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets. There are no assurances that this new industry and market will exist or grow as estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects this new market and industry may materially and adversely affect the business, financial conditions and results of operations of the Company.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination.

Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company is subject to a recall, the reputation of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention, potential loss of applicable Licences and potential legal fees and other expenses.

Managing Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In order to manage growth and changes in strategy effectively, the Company must

(i) maintain adequate systems to meet customer demand;

(ii) expand sales and marketing, distribution capabilities and administrative functions; and

(iii) attract and retain qualified employees, including in respect of its management team.

While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities. The Company could also fail to successfully integrate acquired entities into the business of the Company.

Fraudulent or Illegal Activities by Employees, Contractors or Consultants

The Company's employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct that violates:

(i) government regulations;

(ii) manufacturing standards;

(iii) federal and provincial healthcare fraud and abuse laws and regulations; or

(iv) laws that require the true, complete and accurate reporting of financial information or data.

It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Insurance Coverage

The Company has insurance to protect its assets, operations, directors and employees. While the Company believes the insurance coverage addresses all material risks to which it is exposed and is adequate and customary in the current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed.

In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, the business, results of operations and financial condition could be materially adversely affected.

Litigation

The Company may become party to litigation from time to time in the ordinary course, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of the Common Shares and require the Company to devote significant resources to such matters. Even if the Company is involved in litigation and wins, litigation may redirect many of the Company's resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brands.

Conflicts of Interest

Certain directors and officers of the Company hold, and may in future hold, interests 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, which could be adverse to the Company and, whether the conflict of interest is real or perceived, put the reputation of the Company at risk.

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 Company 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 applicable law.

Information Technology Systems and Cyber-Attacks

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

U.S. Border Crossing

Cannabis remains illegal under U.S. federal law and those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry happens at the sole discretion of the U.S. customs and border protection officers, who have wide latitude to ask questions to determine the admissibility of a foreign national.

The Government of Canada has warned travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Canadian travelers attempting to enter the U.S. for reasons related to the cannabis industry may be deemed inadmissible, and business or financial involvement in the legal cannabis industry in Canada or in the U.S. could be sufficient cause for US Customs Officers to deny entry.

DIVIDENDS AND DISTRIBUTIONS

Aleafia Health has never paid dividends on its Common Shares and has no present intention to pay dividends. Any decision to pay dividends will be made by Aleafia Health's board of directors in its sole discretion, and will depend on numerous factors including profitability, fluctuations in working capital, the sustainability of margins, capital expenditures and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Aleafia Health consists of an unlimited number of Common Shares. As at the close of business on December 31, 2019 a total of 277,893,686 Common Shares were issued and outstanding. Each Common Share carries the right to one vote at all meetings of shareholders. There are no special rights or restrictions of any nature attached to the Common Shares. Each Common Share participates rateably in any dividend declared by the directors and carries the right to receive a proportionate share of the assets of Aleafia Health available for distribution to holders of Common Shares in the event of the liquidation, dissolution or winding-up of Aleafia Health.

MARKET FOR SECURITIES

Aleafia Health Common Shares

Effective March 19, 2019, Aleafia Health's Common Shares commenced trading on the TSX under the symbol "ALEF". Before that date, the Common Shares traded on the TSXV, also under the symbol "ALEF". The following table sets forth the reported price ranges and volume of trading for each month since January 2019:

Period	High	Low	Volume
January 2019	$2.44	$1.33	35,679,221
February 2019	$2.93	$2.07	33,515,896
March 2019	$2.48	$1.86	42,176,178
April 2019	$1.94	$1.48	31,583,057
May 2019	$1.78	$1.34	29,575,415
June 2019	$1.51	$0.96	25,621,321
July 2019	$1.40	$1.02	13,085,989
August 2019	$1.25	$0.98	13,995,902
September 2019	$1.08	$0.85	11,932,116
October 2019	$0.95	$0.69	14,898,168
November 2019	$1.03	$0.62	24,449,769
December 2019	$0.69	$0.54	15,537,825

Emblem Corp. Warrants

Aleafia Health's wholly-owned subsidiary, Emblem Corp., maintains one class of warrants listed on the TSXV as follows. Each Emblem Corp. warrant is exercisable into 0.8377 of a Common Share of Aleafia Health, at its then applicable exercise price.

EMC.WT.A – exercisable at a price of $2.15 and expiring November 16, 2020. The following table sets forth the reported price ranges and volume of trading for each month since January 2019:

Period	High	Low	Volume
January 2019	$0.31	$0.11	371,262
February 2019	$0.37	$0.25	485,537
March 2019	$0.40	$0.25	931,936
April 2019	$0.36	$0.23	343,112
May 2019	$0.29	$0.20	336,454
June 2019	$0.24	$0.10	201,041
July 2019	$0.15	$0.07	290,700
August 2019	$0.11	$0.06	124,445
September 2019	$0.08	$0.05	114,220
October 2019	$0.06	$0.02	122,113
November 2019	$0.05	$0.01	287,933
December 2019	$0.03	$0.01	158,010

Aleafia Health Warrants

Aleafia Health maintains one class of warrants listed on the TSX as follows.

ALEF.WT – exercisable at a price of $1.55 and expiring June 27, 2022. The following table sets forth the reported price ranges and volume of trading for each month since June 27, 2019:

Period	High	Low	Volume
June 27-June 30	$0.35	$0.16	3,069,002
July 2019	$0.24	$0.09	8,462,281
August 2019	$0.16	$0.11	4,347,531
September 2019	$0.13	$0.07	4,024,682
October 2019	$0.10	$0.07	3,352,901
November 2019	$0.14	$0.06	3,919,520
December 2019	$0.09	$0.06	2,838,941

Aleafia Health Debentures

Aleafia Health maintains one class of convertible debentures listed on the TSX as follows.

ALEF.DB – the convertible debentures shall bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on the 1st day of June and December of each year, and will mature on June 27, 2022. The principal amount of each Convertible Debenture is convertible for no additional consideration, into Common Shares at the option of the holder at any time prior to the earlier of: (i) the close of business on the maturity date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures upon a change of control at a conversion price equal to $1.47. The following table sets forth the reported price ranges and volume of trading for each month since June 27, 2019:

Period	High	Low	Volume
June 27-June 30	$96.50	$91.01	2,204,000
July 2019	$92.95	$75.00	2,602,000
August 2019	$82.00	$67.00	1,571,000
September 2019	$75.00	$67.00	323,000
October 2019	$71.00	$63.72	827,000
November 2019	$71.00	$58.11	1,186,000
December 2019	$62.00	$53.50	1,022,000

PRIOR SALES

The following table sets forth securities that are not listed or quoted on a marketplace issued by Aleafia Health during the year ended December 31, 2019 and current to the date of this AIF:

Date of issuance	Award type	# of units issued	Exercise price per security
January 1, 2019	Options	20,000	$1.43
January 11, 2019	Options	295,000	$1.64
February 22, 2019	Options	1,410,000	$2.16
March 15, 2019[1]	Options	837,700	$0.60
March 15, 2019[1]	Options	104,712	$1.62
March 15, 2019[1]	Options	1,172,779	$1.64
March 15, 2019[1]	Options	41,885	$1.79
March 15, 2019[1]	Options	808,379	$1.80
March 15, 2019[1]	Options	293,195	$1.91
March 15, 2019[1]	Options	125,655	$1.95

March 15, 2019[1]	Options	418,850	$2.02
March 15, 2019[1]	Options	661,782	$3.08
March 15, 2019[1]	Options	11,169	$3.10
March 15, 2019[1]	Options	25,000	$2.19
April 22, 2019	Options	25,000	$1.87
April 25, 2019	Options	15,000	$1.64
April 25, 2019	Units	2,000,000	$1.64
April 30, 2019	Options	250,000	$1.90
May 6, 2019	Options	50,000	$1.38
May 13, 2019	Options	50,000	$1.57
May 23, 2019	Options	25,000	$1.65
May 30, 2019	Options	100,000	$1.51
June 3, 2019	Options	50,000	$1.45
June 10, 2019	Options	25,000	$1.32
June 12, 2019	Options	25,000	$1.33
June 17, 2019	Options	25,000	$1.30
June 25, 2019	Options	1,262,495	$1.07
July 3, 2019	Options	25,000	$1.36
July 4, 2019	Options	50,000	$1.28
July 5, 2019	Options	120,000	$1.25
July 23, 2019	Options	25,000	$1.12
July 23, 2019	Options	50,000	$1.15
August 9, 2019	Options	25,000	$1.20
August 12, 2019	Options	50,000	$1.18
August 16, 2019	Options	5,000	$1.10
August 19, 2019	Options	25,000	$1.14
September 5, 2019	Options	16,000	$1.02
September 6, 2019	Options	20,000	$1.05
September 9, 2019	Options	50,000	$1.05
September 9, 2019	Options	2,000	$1.20
September 10, 2019	Options	5,000,000	$1.03
September 11, 2019	Options	235,000	$1.03
September 16, 2019	Options	100,000	$0.99
September 23, 2019	Options	100,000	$0.92
October 1, 2019	Options	125,000	$0.95
October 7, 2019	Options	200,000	$0.87
October 10, 2019	Options	56,000	$0.83
October 16, 2019	Options	140,000	$0.81
October 21, 2019	Options	140,000	$0.83
October 23, 2019	Options	85,000	$0.78
October 24, 2019	Options	4,000	$0.79
November 1, 2019	Options	2,000	$0.72
November 4, 2019	Options	100,000	$0.76
November 11, 2019	Options	77,000	$0.81
November 18, 2019	Options	32,000	$0.72
November 27, 2019	Options	25,000	$0.65
December 2, 2019	Options	2,000	$0.66

1. Issued to former Emblem option holders upon completion of the Arrangement Agreement

DIRECTORS AND OFFICERS

Each of the directors of Aleafia Health is elected annually at the annual meeting of shareholders. All directors serve until the next annual meeting of shareholders or until a successor is elected or appointed or until the director is removed at a meeting of shareholders.

The following table sets forth, among other things, the name, province and country of residence, position, period served as a director and/or executive officer and principal occupation during the last five (5) years, for each person who serves as a director and/or executive officer of Aleafia Health, as at the date of this AIF.

Directors

Name, residence and positions of Director	Principal occupation, past five years	Director since
Hon. Julian Fantino Ontario, Canada Board Chairman Strategic Planning Committee Chair	Former Executive Chairman of the Board of Aleafia Health; Principal of J. Fantino and Associates Inc. (present); Canadian Member of Parliament for the riding of Vaughan (2010 to 2015) and served as the Minister of Veterans Affairs, National Defence and International Cooperation.	March 26, 2018
Raf Souccar Ontario, Canada Governance Committee Member	Former Chief Executive Officer and President of Aleafia Health; Principal of Raf Souccar Consulting Inc. (2014 to present); Chief Security Officer, Royal Canadian Mint (May 2011 to June 2014).	March 26, 2018
Daniel Milliard Ontario, Canada Audit Committee Member Strategic Planning Committee Member	President and CEO of Indian River Consulting Inc. (2008 to present); Chairman of the Board of Directors of Emblem Corp. (November 2018 to March 2019); Director of Emblem Corp. (May 2018 to March 2019); Director, Progressive Waste Solutions (2002 to 2016).	March 14, 2019
Mark Sandler Ontario, Canada Governance Committee Chair Audit Committee Member	Senior Partner at Cooper, Sandler, Shine & Bergman LLP, a law firm (present); Bencher of the Law Society of Upper Canada (2003 to 2015); Commissioner, Ontario Securities Commission (2017 to 2019).	April 24, 2018
Loreto Grimaldi Ontario, Canada HR and Compensation Committee Chair Governance Committee Member	Co-Founder - Untether Capital Inc. (2020), a North American Foodtech business; Previously, Senior Vice President, General Counsel & Corporate Secretary - ECN Capital Corp., a North American financial services business (January 2017 to March 2020); Director of Emblem Corp. (October 2018 to March 2019); Executive Vice President and Chief Legal Officer - Progressive Waste Solutions, a North American environmental services business (June 2014 to December 2016); Chief Operating Officer, General Counsel and Secretary - MedAvail Technologies Inc., a Global healthcare technology business (January 2010 to May 2014).	March 14, 2019

William Stewart Ontario, Canada Strategic Planning Committee Member HR and Compensation Committee Member	Principal of William A. Stewart Consulting Services (2012 to present); Fire Chief of the Toronto Fire Services (2003 to 2012). Director Firerein Inc. (2017 to 2018). Chairman Firerein Inc. (2018 to present).	May 31, 2018
Lea Ray Ontario, Canada Lead Independent Director Audit Committee Chair Governance Committee Member	Chair of the Board at RFA Bank of Canada (previously Street Capital Group Inc. and Street Capital Bank of Canada) (March 2015 to present); Director at ProDemnity Insurance Company (June 2017 to present); Director at Patriot One Technologies Inc. (February 2020 to present).	October 5, 2018

Directors: Detailed Biographies

Julian Fantino

Julian's distinguished career in law enforcement and government, as the Toronto, York and London Police Chief and Ontario's Commissioner of Emergency Management culminated in his appointment as the Ontario Provincial Police Commissioner. He then was elected to Parliament, becoming Minister of Veterans Affairs, National Defence and International Cooperation. A leading expert on drug enforcement and federal regulatory policy, Julian advocates for the well- being of first responders, and police, fire and military personnel with post-traumatic stress disorders.

Raf Souccar

Raf served as Deputy Commissioner of Federal and International Policing with the Royal Canadian Mounted Police. In that capacity, he was responsible for the areas of Drugs and Organized Crime, National Security and Counter Terrorism and the Prime Minister's security. He led the development of the drug-impaired driving legislation and the creation of the Drug Recognition Expert training for police officers. After counselling successive Justice Ministers on marijuana legalization, Prime Minister Justin Trudeau appointed Raf to the Marijuana Legalization Task Force, which provided advice on the new cannabis legislative and regulatory framework. Raf has a Bachelor of Business Administration, has been a lawyer and member of the Law Society of Ontario for the past 25 years and is a graduate of the Institute of Corporate Directors.

Lea Ray

See "*Audit Committee and Related Information*" for Ms. Ray's biography.

Mark J. Sandler

See "*Audit Committee and Related Information*" for Mr. Sandler's biography.

William Stewart

Bill is Canada's most distinguished Fire Service leader. After nearly 40 years of active duty, he was appointed to lead Canada's largest Fire Service as Chief of Toronto Fire Services from 2003-2012. He is a national leader in the fire protection field, having served on the board of the National Fire

Protection Association and continues to serve the Canadian Fallen Fire Fighters Foundation, and named Fire Chief of the Year by the Canadian Association of Fire Chiefs 2008 and the Metropolitan Fire Chiefs Association in 2010. Prior to his decades in the Fire Service, Bill was a commissioned officer of the Canadian Armed Forces. He received an Armed Forces Commendation in 2011.

Loreto Grimaldi

Loreto is a business and legal executive with nearly 25 years of corporate, transactional, business transformation and corporate governance experience working with several large North American businesses across a wide range of industries. He is the Co-Founder of Fleets Coffee, a disruptive global food tech business. Most recently, Loreto was SVP General Counsel and Corporate Secretary of ECN Capital Corp., a publicly-traded North American specialty finance business. Prior roles include: Director of Emblem Corp., EVP Chief Legal Officer and Secretary of Progressive Waste Solutions, now Waste Connections Inc. (WCN:TO), one of North America's largest waste management and recycling operators; COO, General Counsel and Secretary of MedAvail Technologies Inc., a disruptive North American healthcare technology business; and Vice President and Associate General Counsel for Symcor Inc., a North American technology services provider owned by three of Canada's largest banks.

Loreto began his legal career at Stikeman Elliott, one of Canada's largest law firms. He holds a BBA and an MBA from the Schulich School of Business (York University), and an LL.B from the Western University. He is called to the Bar in Ontario and the State of New York, and is an active member of the American Bar Association, the Association of Corporate Counsel, the National Association of Corporate Directors, and the Institute of Corporate Directors. Loreto is a graduate of the Directors Education Program of the Institute of Corporate Directors (ICD.D), and is Adjunct Professor at both the Schulich School of Business and Osgoode Hall Law School. He is the former Chair of the Board of Governors of Villanova College and is a former member of the Board of Directors of Hospice Vaughan.

Daniel Milliard

See "*Audit Committee and Related Information*" for Mr. Milliard's biography.

Executive Officers

Name, residence and position of Officer	Principal occupation, past five years	Officer since
Geoffrey Benic Ontario, Canada Chief Executive Officer	Current CEO of Aleafia Health; Regional Director, Founder and Chairman of Sofilia Logistics Group, Inc. (2004 to 2018); General Manager, Grocery Gateway; Regional Director, United Parcel Service Canada.	June 28, 2018
Benjamin Ferdinand Ontario, Canada Chief Financial Officer	Current CFO of Aleafia Health; Managing Director, Platform Strategies at TMX Group (2012 to 2018); Vice-President and Head of Finance, Strategy and Corporate Development for TMX Group (2012 to 2018).	August 2, 2018

Greg Rossi Ontario, Canada Chief Operating Officer	Current Chief Operating Officer of Aleafia Health; Supply Chain and Logistics Consultant (2005 to 2018); Director, Operations, CubeRoute; Director, Engineering, Grocery Gateway; Manager, Engineering, United Parcel Service Canada.	August 2, 2018
Trevor J. Newell Ontario, Canada Chief Marketing and Technology Officer	Current Chief Marketing and Technology Officer of Aleafia Health; President at Wholesale Energy Systems (2016 to present); Co-Founder and President at SHOP.ca Network Inc. (2011 to 2016).	August 14, 2018
Dr. Michael Verbora Ontario, Canada Chief Medical Officer	Current Chief Medical Officer of Aleafia Health; Dr. Michael Verbora MPC (2015 to present); Resident Physician at Department of Family Medicine (University of Toronto) (2013 to 2016).	March 26, 2018
Nicholas Bergamini Ontario, Canada VP, Investor Relations	Current Vice-President, Public Affairs of Aleafia Health; Press Secretary and Director of Communications for the Leader of the Official Opposition in the Ontario Legislature (2016 to 2018); Press Secretary and Chief Spokesman for Canada's Minister of Finance (2014 to 2015).	August 2, 2018
David Shepherd Ontario, Canada VP, Human Resources	Current Vice-President of Human Resources of Aleafia Health; Director, Human Resources - The Ippolito Group (2008 to 2019); Executive Board Secretary - Food and Beverage Ontario (2011 to 2018); Program Advisory Chair - Conestoga College Cambridge, Ontario (2012 to present).	January 14, 2019
Keith White Ontario, Canada President, Clinic Operations	Current President, Clinic Operations of Aleafia Health; Chief Operating Officer, Oshawa Clinic Group (February 2011 to February 2019); Chair of the Board of Directors for Lakeridge Health Foundation (2018 to present).	February 15, 2019
Robert van den Heuvel Ontario, Canada VP, Quality & Regulatory Affairs	Current VP Quality & Regulatory Affairs of Aleafia Health; VP Regulatory Affairs & Product Compliance, Up Cannabis (February 2019 to September 2019); Senior Director, Operational Quality, Sanofi Pasteur (2018 to 2019); Senior Director, Laboratory Management, Sanofi Pasteur (2014 to 2018).	October 7, 2019

Executive Officers: Detailed C-Suite Biographies

Geoffrey Benic

Widely known for his role in helping to create and build the iconic Grocery Gateway brand, Geoff

Benic's career has been characterized by success in many highly demanding environments. Previously regional director of United Parcel Service Canada, one of the world's most rigorous and demanding global logistics entities, Benic moved on to be an initial Grocery Gateway employee and General Manager. From October 2004 until June 2018, Benic was the founder and chairman of Sofilia Logistics Group Inc., a leading National Delivery Logistics Service, where he followed a vertical integration growth strategy and successfully acquired and integrated mid-market businesses. His capital-raising abilities have been significant and include several mergers and acquisitions and eventual sales to larger companies.

Benjamin Ferdinand

Benjamin Ferdinand previously led TMX Group's (parent company of the Toronto Stock Exchange) firm-wide platform initiatives as Managing Director, Platform Strategies. Prior to this, Benjamin served as Vice President and Head of Finance, Strategy and Corporate Development for TMX Group. He began his career in investment banking, both in Toronto and New York. Benjamin has served on the boards of CanDeal Inc., a provider of electronic debt trading services (co-owned by Canada's six major bank-owned dealers and TMX) and Shorcan Brokers Ltd., an inter-dealer debt broker. He holds a Master of Business Administration (MBA) from Ivey Business School at the University of Western Ontario and a Bachelor of Commerce from McMaster University. Benjamin was awarded the CPA, CMA designation and is a member of CPA Ontario and CPA Canada.

Trevor J. Newell

Trevor Newell has experienced and lead exponential growth at both the enterprise and start-up level, building disruptive strategies and executing them with analytical passion. Prior to joining Aleafia, Trevor was co-founder and President of SHOP.CA Network Inc. (SHOP.CA), Canada's first eCommerce Marketplace, creating a national brand with over 15 million products across 5,000 brands from 1,500 suppliers. Trevor lead the establishment and growth of all operations within SHOP.CA throughout the idea, launch and growth phases. Trevor's career experience also includes: GE where his global enterprise experience lead to him earning his master black belt of six sigma within GE's Information Management Leadership Program, and Oracle within Financial Services as head of global product strategy for capital markets and wealth management.

Greg Rossi

Greg Rossi has over 20 years experience in operations, supply chain and logistics across many product categories and industries. Greg has acted as an executive consultant for the past 15 years working directly with some of the world's largest companies including Nestle, Kraft, Heinz, Publix, Mondelez, Campbell's, Walmart and Blockbuster. In his capacity as c-suite consultant, Greg implements strategies to maximize operational efficiencies through the application of six sigma techniques and project management leadership.

Greg also has entrepreneurial and start-up experience being part of the founding teams at; Grocery Gateway, Canada's pioneer online grocer; CubeRoute, one of the world's first route optimization and vehicle tracking SaaS platforms, and; Sofilia Logistics Group, a leading high-tech logistics service. Greg holds a Bachelor of Applied Science, Civil Engineering from the University of Waterloo. In his capacity as COO at Aleafia Health, Greg leads cannabis cultivation, extraction, finished goods production, clinic operations and quality control from seed to sale across all three of the Company's production facilities.

Dr. Michael Verbora

Michael is an internationally recognized expert on medical cannabis, having spoken to the European Union parliament and other leading institutions. Michael earned an MBA from the University of Windsor's Odette School of Business in 2009 and an M.D. from Schulich School of Medicine at Western University in 2013, before entering a Family Practice residency at the University of Toronto. A member of the Canadian Consortium for the Investigation of Cannabinoids, Doctors for Responsible Access and the Canadian Pain Society, he has completed over 4,000 cannabinoid therapy consultations, and has presented many talks in community and hospital settings while serving as student health physician at Seneca College and Medical Director, Canabo Medical Corporation. Dr. Verbora also recently joined the McMaster University School of Medicine as an Assistant Professor.

OWNERSHIP OF COMMON SHARES

As of December 31, 2019, the directors and executive officers of Aleafia Health, as a group, beneficially owned or controlled or directed, directly or indirectly, an aggregate of 9,687,237 Common Shares (approximately 3.49% of the Common Shares, issued and outstanding).

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Cease Trade Orders, Bankruptcies

To the knowledge of Aleafia Health, no director or executive officer of Aleafia Health or personal holding company of any of them, is, as of the date of this AIF or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Aleafia Health) that:

- was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "**order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

- was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as set out below, to the knowledge of Aleafia Health, no director or executive officer of Aleafia Health, or shareholder holding a sufficient number of securities of Aleafia Health to affect materially the control of Aleafia Health, or personal holding company of any of them, is, at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Aleafia Health) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

- Mr. Loreto Grimaldi was the Chief Legal Officer, General Counsel and Secretary of PCAS Patient Care Automation Services Inc. (and its subsidiaries) when it filed for protection under the Companies' Creditors Arrangement Act on March 23, 2012.
- Trevor Newell was President and a director of SHOP.CA Network Inc. when it filed for protection under the Bankruptcy and Insolvency Act on June 7, 2016.

Penalties or Sanctions

To the knowledge of Aleafia Health, no director or executive officer of Aleafia Health, or shareholder holding a sufficient number of securities of Aleafia Health to affect materially the control of Aleafia Health, or personal holding company of any of them, has been subject to:

- any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- any other penalties or sanctions imposed by a court or regulatory body that would be likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of Aleafia Health, no director, or executive officer of Aleafia Health or shareholder holding a sufficient number of securities of Aleafia Health to affect materially the control of Aleafia Health, or a personal holding company of any of them, has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement, or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Conflicts of Interest

Aleafia Health's directors and officers are required by law to act honestly and in good faith with a view to the best interests of Aleafia Health and to disclose any conflicts of interest which they may have. If a conflict of interest arises, a director or officer must disclose his or her interest and a director must not attend any part of a meeting of directors during which the matter is discussed and must not vote on any resolution approving such matter.

To the knowledge of Aleafia Health, and other than as disclosed in this AIF, there are no known existing or potential material conflicts of interest between Aleafia Health, a subsidiary of Aleafia Health, and any director or officer of Aleafia Health or of a subsidiary of Aleafia Health, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Aleafia Health and their duties as a director or officer of such other companies.

AUDIT COMMITTEE AND RELATED INFORMATION

The following information is provided in accordance with Form 52-110F1 under the Canadian Securities Administrators' National Instrument 52-110 – *Audit Committees* ("**NI 52-110**").

Audit Committee Charter

The Audit Committee Charter (the "**Charter**") is attached as Schedule "A" to this AIF. The Charter was updated effective April 22, 2019.

Composition of the Audit Committee

As of March 21, 2019, the audit committee was composed of the following three directors: Lea Ray (Chair), Mark Sandler and William Stewart (the "**Audit Committee**"). Since March 22, 2019, the Audit Committee has been composed of the following three directors: Lea Ray (Chair), Mark Sandler and Daniel Milliard. Each director was and is considered "independent" and "financially literate" (as such terms are defined in NI 52-110).

Relevant Education and Experience

Each member of the Audit Committee is financially literate, i.e., has the ability to read and understand financial statements. Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Charter. The following is a description of the education and experience of each member of the Audit Committee that is, in addition to such member's general business experience, relevant to the performance of his or her responsibilities as a member of the Audit Committee.

Lea Ray, Audit Committee Chair

Ms. Ray is and has been a director and audit committee Chair for a number of boards of directors. She is currently the Chair of the Board of RFA Bank of Canada (previously Street Capital Group Inc. and Street Capital Bank of Canada) and a Director of ProDemnity Insurance Company. During February 2020, she also joined Patriot One Technologies Inc. as a Director. During 2019, she was also a director of Tarion Warranty Company up to the end of her term, April 2019. Ms. Ray was Vice President, Corporate Finance/CFO for Warner Bros. Entertainment Groups of Companies in Canada. Ms. Ray is a Chartered Professional Accountant and holds an ICD.D designation granted by the Institute of Corporate Directors.

Mark Sandler, Audit Committee Member

Mr. Sandler has been a member of the Ontario bar for 40 years. He is the senior partner of Cooper, Sandler, Shime & Bergman LLP, and practices as an appellate and trial lawyer in criminal and regulatory matters. Much of Mr. Sandler's practice has been devoted to "white collar" litigation involving consideration of the accuracy of financial statements, books and records and management disclosures. He served an elected Bencher of the Law Society of Upper Canada for just under 12 years, and chaired its Appeal Panel and Tribunal Committee. He was also a member and Chair of the Board of the Law Foundation of Ontario. Mr. Sandler is also a former Commissioner of the Ontario Securities Commission.

Daniel Milliard, Audit Committee Member

Mr. Milliard has extensive board experience, public markets experience, and business leadership experience. During 2018 to 2019, Mr. Milliard served at Emblem Corp. in several roles, including as Director and subsequently the Chairman of the Board of Directors of Emblem Corp. and Chairman of the Special Committee. From 2002 to 2016, Dan held a variety of positions at Progressive Waste Solutions, including serving at times as a director, an audit committee member, Chairman of the compensation committee and Chairman of the Governance and Nominating Committee. He was the Chief Executive Officer of GT Group Telecom (1999 to 2003) and President and Chief Operating Officer of Hyperion Communications (1992 to 1999). Mr. Milliard holds a Bachelor of Science degree in Business Administration, a Master of Arts in Business Administration, a law degree (JD), a Chartered Director Certificate from McMaster University and a Human Resources and Compensation Committee Certification from McMaster University.

Reliance on Certain Exemptions

At no time since the commencement of Aleafia Health's most recently completed financial year has Aleafia Health relied on any exemption from NI 52-110.

Audit Committee Oversight

At no time since the commencement of Aleafia Health's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

To date, the Board has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

Fiscal year	Audit Fees ($)(1)	Audit Related Fees ($)(2)	Tax Fees ($)(3)	All Other Fees ($)(4)
2019	397,569	100,000	52,000	11,469
2018	82,805	-	-	-
2017	40,000	-	-	14,410
2016	-	-	-	-

1. "Audit Fees" includes fees for the performance of the annual audit and for accounting consultations on matters reflected in the financial statements.
2. "Audit-Related Fees" includes fees for assurance and related services that are related to the performance of the review of the financial statements including fees for the AIF and "earn-in" audit work and are not reported under 1.
3. "Tax Fees" includes fees for tax compliance, tax planning and tax advice.
4. "All Other Fees" includes fees for valuation services and investigative services.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Dispute with Aphria

On October 8, 2019 Aleafia Health announced that Emblem had terminated its long-term supply agreement with Aphria Inc. dated September 11, 2018 in accordance with its terms as a consequence of Aphria's failure to meet its supply obligations. On December 9, 2019, Emblem referred the matter to confidential arbitration pursuant to the requirements of the supply agreement to enforce its rights and recover damages pursuant to the supply agreement. Emblem is seeking the return, in full, of its initial deposit and substantial damages for breach of contract. There are currently several unresolved disputes between the parties relating to the termination to be addressed at the arbitration. Aphria has denied liability and has issued a counterclaim against Emblem and Aleafia Health for damages that are substantially less than the deposit. Emblem and Aleafia deny that they have any liability in respect of the counterclaim. Emblem will continue to take such steps as are necessary to enforce its rights under the supply agreement and to recover damages arising from the termination. The arbitration is proceeding on an expedited schedule and is set for a hearing later in 2020.

Dispute with A. Tayts

Certain of Emblem's former executives have been named in a claim commenced March 20, 2015 in the Ontario Superior Court of Justice that also identifies Emblem Corp. and Emblem in relation to certain services provided to the Emblem parties by an individual. The parties to the claim are: Amos Tayts (Plaintiff / Defendant by Counterclaim), Gordon Fox, Harvey Shapiro, Maxim Zavet, Levy Zavet Professional Corporation, MZ Prime Holdings Ltd., White Cedar Pharmacy Corporation, Emblem Corp. (Defendants), Emblem Cannabis Corporation, Kindcann.com, Inc. (Defendants / Plaintiffs by Counterclaim), and Talya Lev-Mor (Defendant by Counterclaim). The plaintiff has claimed $10 million in damages for some unspecified combination of the value of shareholdings in Emblem Corp. of which he says he has been wrongfully deprived, the amount by which he claims Emblem Corp. has been directly or indirectly unjustly enriched as a result of his labours, and damages for breach of contract, misrepresentation and oppression. The claim is being contested and the action is currently at the discovery stage. It is the Company's determination that the claim of $10.0 million is primarily against the founders of Emblem Corp. and not the Emblem parties. The claim for damages against the Emblem parties, specifically, is not pleaded with sufficiency particularity to allow an accurate assessment of the quantum of damages being sought against the Emblem parties. The likely measure of damages sought will either be the market value of the services the plaintiff alleges to have provided to the Emblem parties or the degree to which Emblem Corp. was enriched by those services. The Company is of the view that the amount of the claim bears no relationship to the value of the services provided. The outcome of this legal matter is subject to negotiations by the officers of the Company and the Company believes it is unlikely to be impacted and accordingly, no amount has been provided for. A separate claim was also initiated by Tayts on March 22, 2019 in the Ontario Superior Court of Justice against Emblem and Emblem Corp. arising out of the same facts and seeking the same damages. The claim is contested but pleadings have not yet concluded.

Penalties or Sanctions

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2019 and there have been no other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2019.

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of Aleafia Health, any other insider of Aleafia Health or any associate or affiliate of any of such individuals or companies has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares of Aleafia Health is Computershare Investor Services Inc., at its principal offices in Toronto, Ontario, 100 University Avenue, 8th Floor, North Tower, M5J 2Y1.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts the Company is a party to are the following:

- Third Supplemental Warrant Indenture dated March 14, 2019 between Emblem Corp., Aleafia Health and Computershare with Computershare providing for the issue of up to 8,717,814 common share purchase warrants of Emblem Corp. with each whole warrant exercisable to acquire one common share of Emblem Corp. at an exercise price of $0.75 per Emblem Corp. common share at any time prior to December 6, 2021; at the time of the Amalgamation, holders of the common share purchase warrants, upon exercise, become entitled to the Consideration.
- Emblem Debenture Indenture, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Supplemental Emblem Debenture Indenture, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Debenture Indenture dated June 27, 2019 between Aleafia Health and Computershare with Computershare providing for the issue of unsecured convertible debentures with the principal amount of each Convertible Debenture convertible for no additional consideration, into Common Shares at a conversion price of $1.47, at anytime prior to June 27, 2022.
- Warrant Indenture dated June 27, 2019 providing for the issue of up to 27,370,000 common share purchase warrants at an exercise price of $1.55 at anytime prior to June 27, 2022.
- Arrangement Agreement, see "*General Development of the Business*".
- CannaPacific Investment Agreement, see "*Three Year History (Fiscal 2018: January 1, 2018—December 31, 2018)*".
- The Port Perry Licence, see "*Description of the Business – Port Perry Licence*".
- The Paris Licence, see "*Description of the Business – Paris Licence*".
- Master Joint Venture Agreement between SPE Finance LLC and Aleafia Brands Inc. and Aleafia Health Inc. dated November 22, 2018 regarding the Flying High Brands Inc. joint venture, see "*Events Following the Business Combination (March 28, 2018—December 31, 2018)*".
- Master Joint Venture Agreement between SPE Finance LLC and Aleafia Retail Inc. and Aleafia Health Inc. dated November 22, 2018 regarding the One Plant (Retail) Corp. joint venture, see "*Events Following the Business Combination (March 28, 2018—December 31, 2018)*".
- Business Combination Agreement between Aleafia Inc., Canabo Medical Inc. and 2412550 Ontario Inc. dated January 31, 2018 in connection with the Business Combination, see "*Corporate Structure*".
- Licence Agreement between International Franchise Inc. and Flying High Brands Inc. dated November 22, 2018, under which International Franchise Inc. agreed to licence to

Flying High Brands Inc. an exclusive, royalty-free, non-sublicensable (except to Aleafia Health), non-transferable, non-assignable and revocable licence to use certain intellectual property for the display, marketing, advertisement, promotion, distribution, sale or resale of products anywhere except the U.S.

- Compass Investment, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Acnos JV, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- British Columbia Supply Agreement, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Saskatchewan Supply Agreement, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Ontario Supply Agreement, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Alberta Supply Agreement, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- Greenspace Agreement, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- F&F Investment, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".
- F&F Debenture, see "*Three Year History (Fiscal 2018: January 1, 2018 to December 31, 2018)*".

INTERESTS OF EXPERTS

The annual consolidated financial statements for the year ended December 31, 2019 were audited by Manning Elliott LLP, Chartered Professional Accountants, of Vancouver, British Columbia, Canada. The auditors, appointed by the shareholders, examined the consolidated financial statements in accordance with International Financial Reporting Standards. Manning Elliott LLP confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on its website at www.aleafiahealth.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Aleafia Health's securities and securities authorized for issuance under equity compensation plans, is contained in Aleafia Health's management information circular for its previous annual and special meeting of shareholders held on June 17, 2019 and will be contained in its management information circular for its 2020 annual and special meeting of shareholders which is currently expected to be held on or around June 24, 2020. For information relating to compensation and corporate governance related matters, please see "*Statement of Executive Compensation*" and "*Statement of Corporate Governance Practices*", respectively, in such circular.

Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year.

SCHEDULE "A": AUDIT COMMITTEE CHARTER

Under National Instrument 52-110 – Audit Committees ("**NI 52-110**") reporting issuers are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee's Charter, composition of the Committee, and the fees paid to the external auditor. The Company provides the following disclosure with respect to its Audit Committee:

As approved by the Board of Directors on April 22, 2019

Article 1 – Purpose and Scope

1.1 Functions of the Audit Committee

The primary functions of the Audit Committee (the "**Committee**") of the Board of Directors of the Corporation (the "**Board**") are to exercise the responsibilities and duties set forth below, including but not limited to:

(a) assist the Board in fulfilling its responsibilities by reviewing:

(i) the financial reports prepared by management of the Corporation for filing with the Canadian and U.S. securities regulatory authorities, including the Ontario Securities Commission and the U.S. Securities and Exchange Commission, any stock exchange and any other governmental or regulatory authority exercising authority over the Corporation (each a "**Regulatory Authority**");

(ii) the Corporation's financial statements, management's discussion and analysis of the Corporation's financial condition and results of operations (the "**MD&A**"), and annual and interim profit or loss press releases before the Corporation discloses the information to the Corporation's shareholders and to the general public; and

(iii) the Corporation's internal financial and accounting controls established by management of the Corporation;

(b) recommend to the Board the external auditor to be nominated for appointment by the shareholders of the Corporation for the purpose of preparing or issuing an auditor's report;

(c) recommend to the Board the external auditor performing other audit, review or attest services for the issuer;

(d) recommend to the Board the compensation of the external auditor to be fixed by the Board as authorized by the Shareholders of the Corporation;

(e) oversee the work performed by any independent external audit firm, including its conduct of the annual audit and engagement for any other services, as well as review the qualifications and independence of such auditor;

(f) oversee the accounting and financial reporting processes of the Corporation as established by the Corporation's management;

(g) recommend, establish and monitor procedures, including without limitation those relating to financial reporting risk management and those designed to improve the quality and reliability of the disclosure of the Corporation's financial condition and results of operations,

(h) without limiting Section 1.12.1(g), establish and monitor procedures designed to facilitate:

  (i) the receipt, retention and treatment of complaints relating to accounting, internal accounting controls or auditing matters, and

  (ii) the receipt of confidential or anonymous submissions by employees of concerns regarding questionable accounting or auditing matters,

(i) assist the Board with respect to the Corporation's compliance with legal and regulatory requirements relating to the Committee's mandate under this Charter;

(j) engage advisors as necessary, and

(k) determine the relevant funding required by the Corporation for the payment of the independent audit firm, any advisors engaged by the Committee and ordinary administrative expenses of the Committee.

Article 2 – Composition and Meetings

2.1 Composition

(a) The Committee shall be comprised of a minimum of three directors of the Board as appointed by the Board, each of whom:

  (i) meets the applicable independence and/or audit committee composition requirements set forth in:

    (A) National Instrument 52-110 — *Audit Committees* of the Canadian Securities Administrators;

    (B) Section 10A-3 of, and Rule 10A-3(b)(1) under, the Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"),

    (C) the NASDAQ Listing Standards, the TSX-V or TSX Company Manual, as applicable, or the rules of any other applicable stock exchange;

    (D) the Business Corporations Act (Ontario); and

    (E) any other applicable rule, policy or law of any Regulatory Authority, as in effect from time to time (collectively, the "**Applicable Requirements**"); and

  (ii) has not participated in the preparation or audit of financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

(b) All members of the Committee shall be "financially literate", which is defined as having a basic understanding of finance and accounting and having the ability to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

(c) At least one member of the Committee shall have employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Further, at least one member of the Committee shall qualify as an "audit committee financial expert" (as such term is defined in paragraph 8(b) of General Instruction B of Form 40-F under the U.S. Exchange Act).

(d) The Committee shall ensure that all necessary and proper disclosures shall be made in all applicable filings with the Regulatory Authorities as to composition of the Committee.

(e) Committee members may enhance their familiarity with finance and accounting by participating in education programs conducted by the Corporation or an outside consultant at the Corporation's expense. Independence and financial literacy are to be determined by the Board of Directors in accordance with applicable laws, rules and regulations of the Regulatory Authorities.

2.2 Appointment

(a) The members of the Committee shall be appointed by the Board at the meeting of the Board following each annual meeting of shareholders and shall serve until their successors shall be duly elected and qualified or until their earlier death, resignation or removal.

(b) The Board may fill a vacancy in the membership of the Committee and remove a member of the Committee at any time for any reason.

(c) Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. In the absence of the Chair at a duly convened meeting, the Committee shall select a temporary substitute from among its members.

2.3 Meetings

(a) The Committee shall meet on a regularly-scheduled basis at least four times per year or more frequently as circumstances dictate.

(b) At the invitation of the Committee, members of the Corporation's management, senior personnel of the Corporation's internal audit function and others may attend Committee meetings as the Committee considers necessary or desirable.

(c) Representatives of the Corporation's independent external audit firm are entitled to attend and be heard at each Committee meeting.

(d) The Committee shall hold executive sessions without management present at each Committee meeting.

(e) All independent directors may attend Committee meetings, provided that directors who are not members of the Committee shall not be entitled to vote, nor shall their attendance be counted as part of the quorum of the Committee.

(f) The Chair of the Committee or any member of the Committee may call a meeting by notifying the members of the Committee. Ordinarily, meetings of the Committee should be convened with no less than 48 hours' notice having been given. The requirement for notice to a Committee member can be waived in writing by that Committee member or with the consent of no less than the number of Committee members that constitutes a quorum of the Committee, whether before or after such notice is required. Attendance by a Committee member constitutes waiver of notice to such Committee member of such meeting.

(g) The Committee shall report its actions to the members of the Board and the Corporate Secretary of the Corporation and keep written minutes of its meetings which shall be recorded and filed with the books and records of the Corporation. Minutes of each meeting will be made available to the members of the Board and the Secretary of the Corporation.

2.4 Quorum

A majority of the members of the Committee shall constitute a quorum at any meeting of the Committee, but in no case shall a quorum be comprised of less than two members of the Committee, and the action of a majority of those present, after determining a quorum, shall be the act of the Committee.

Article 3 - Responsibilities and Duties

2.1 Document Review

(a) The Committee shall review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually, and recommend changes to the Board for its approval, if and when appropriate.

(b) The Committee shall review the Corporation's audited annual financial statements, the auditors' report thereon and the related financial disclosures, including the MD&A, prior to their filing with any Regulatory Authority, including:

(i) the audit reports of the Corporation's financial statements and management's assessment of internal control over financial reporting, any memorandum prepared by the Corporation's independent external audit firm with respect to assessment of internal controls over financial reporting, any other pertinent reports and management's responses concerning any such memorandum;

(ii) the qualitative judgments of the independent external audit firm about the appropriateness of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation;

(iii) the selection, application, and appropriateness of the Corporation's critical accounting policies, matters of significant judgment, and/or significant unusual transactions;

(iv) the development of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

(v) management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;

(vi) significant recorded and unrecorded audit adjustments;

(vii) any material accounting issues among management and the independent external audit firm; and

(viii) other matters required to be communicated to the Committee under applicable auditing standards by independent auditors.

After such review, the Committee shall recommend to the Board whether such audited annual financial statements and related MD&A should be filed with the applicable Regulatory Authorities.

(c) The Committee shall review the Corporation's quarterly financial statements and the related MD&A. After such review, the Committee shall recommend to the Board whether such financial statements and related MD&A should be filed with the applicable Regulatory Authorities. If any Regulatory Authority requires that the independent external audit firm review the Corporation's interim financial statements prior to their filing with the Regulatory Authority, the Committee shall take steps designed to ensure that such review has been completed.

(d) The Committee shall review any other financial reports and filings as may be deemed appropriate by the Committee or required by any other Regulatory Authority (including financial disclosure in a registration statement, prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation including earnings releases and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated) and shall recommend to the Board whether such other financial reports or filings should be included in any external filing.

(e) The Committee shall review any forward-looking financial information prepared by management of the Corporation that is proposed to be publicly disseminated.

3.2 Independent Audit Firm

(a) Subject to the approval of the Board and the shareholders of the Corporation as may be required under the *Business Corporations Act* (Ontario), the Committee shall have the sole authority and direct responsibility for the appointment, compensation and oversight of any independent external audit firm engaged for the purpose of preparing or issuing an external audit report or performing other audit, review or attest services for the Corporation, and each such independent audit firm must report directly to the Committee. The authority of the Committee shall include ultimate authority to approve all audit engagement fees and terms.

(b) The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the independent external audit firm in accordance with Applicable Requirements (as defined below) and adopt and implement policies for such pre-approval.

(c) The Committee shall determine funding necessary for compensation of any independent external audit firm and notify the Corporation of anticipated funding needs of the Committee.

(d) The Committee shall instruct the independent external audit firm that it should report directly to the Committee on matters pertaining to the work performed during its engagement and on matters required by the Applicable Requirements and shall resolve any disagreements between management and the independent external audit firm as to financial reporting matters

(e) On at least an annual basis, the Committee shall receive from the independent external audit firm a formal written statement identifying all relationships between the independent external audit firm and the Corporation consistent with the applicable requirements of the Public Corporation Accounting Oversight Board (the "**PCAOB**"), the Canadian Auditing and Assurance Standards Board and/or the applicable Rules of Professional Conduct/Code of Ethics adopted by the order of chartered accountants to which it belongs and the Applicable Requirements. The Committee shall actively engage in a dialogue with the independent external audit firm as to any disclosed relationships or services that may impact its objectivity and independence and take any other action considered appropriate to satisfy the Committee of the independence of the independent external audit firm. The Committee shall establish policies for ensuring receipt from the independent external audit firm of a formal written statement of independence prior to engagement, and then on at least an annual basis, and take appropriate action to oversee the independence of the independent external audit firm.

(f) On an annual basis, the Committee shall discuss with representatives of the independent external audit firm the matters required to be discussed by PCAOB Auditing Standard No. 16 Communications with Audit Committee, as it may be modified or supplemented, or any other applicable standards of the PCAOB.

(g) The Committee shall evaluate the qualifications and performance of the independent external audit firm and shall, at least annually, review the qualifications and performance of the lead partner(s) of the independent external audit firm.

(h) The Committee shall obtain a report from the independent external audit firm annually verifying that the lead partner has served in that capacity for no more than five fiscal years of the Corporation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

(i) The Committee shall review and approve policies for the Corporation's hiring of partners and employees or former partners and employees of the independent audit firm.

(j) When a change of independent external audit firm is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by any Regulatory Authority.

(k) The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Corporation's independent external audit firm, whether or not there is to be a change of independent audit firm, and receive and review all reports prepared by the independent audit firm.

3.3 Financial Reporting Processes

(a) In consultation with the Corporation's management and the independent external audit firm, the Committee shall review annually the adequacy of the Corporation's internal control over financial reporting and consider, in particular:

(i) the effectiveness of, or weakness or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security), the overall control environment for managing business risks, and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(ii) any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;

(iii) any issues raised by any inquiry or investigation by any Regulatory Authority;

(iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other senior employees who have a significant role in financial reporting; and

(v) any related significant issues and recommendations of the independent external audit firm together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

(b) The Committee shall require the Corporation's Chief Executive Officer and Chief Financial Officer to submit a report to the Committee prior to the filing of the Corporation's annual audited financial statements and quarterly unaudited interim financial statements, which is based on their evaluation of internal control over financial reporting, and which discloses:

(i) any and all significant deficiencies and material weaknesses in the design and operation of the internal controls over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize, and report financial data;

(ii) any significant changes in internal control over financial reporting; and

(iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting,

(c) The Committee shall direct the actions to be taken and/or make recommendations to the Board of actions to be taken, to the extent such report indicates the finding of any significant deficiencies in internal control over financial reporting or fraud.

(d) In consultation with the Corporate Secretary, the General Counsel or other management members as appropriate, the Committee shall review legal compliance matters that may have a material impact on the Corporation, the effectiveness of the Corporation's compliance policies, and any material communications from regulators, as well as management's plans to remediate any deficiencies identified.

(e) The Committee shall:

(i) regularly review the Corporation's critical accounting policies and accounting estimates resulting from the application of these policies;

(ii) inquire at least annually of both the Corporation's management and the independent external audit firm as to whether each has any concerns relative to the quality or aggressiveness of management's accounting policies;

(iii) review with the independent external audit firm alternative accounting treatments that have been discussed with management;

(iv) review with management any significant changes in IFRS as issued by the IASB, as well as emerging accounting and auditing issues, and their potential effects; and

(v) review with management matters that may have a material effect on the financial statements.

3.4 Compliance

a) The Committee shall establish procedures in compliance with applicable law for:

(i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

b) The Committee shall investigate any allegations that any officer or director of the Corporation, or any other person acting under the direction of any such person, took any action to fraudulently influence, coerce, manipulate, or mislead any firm (including the Corporation's independent external audit firm) engaged in the performance of an audit of the financial statements of the Corporation for the purpose of rendering such financial statements materially misleading and, if such allegations prove to be correct, take or recommend to the Board of Directors appropriate disciplinary action.

3.5 Reporting

The Committee shall advise the Corporation's management of the need to disclose in its filings with Regulatory Authorities the approval by the Committee of any non-audit services performed by the independent external audit firm and review the substance of any such disclosure and the considerations relating to the compatibility of such services with maintaining the independence of the independent external audit firm.

3.6 Conflicts of Interest

The Committee shall review the Corporation's policies relating to the avoidance of conflicts of interest and review and approve all payments to be made pursuant to any related party transactions involving executive officers and members of the Board, as required by any Regulatory Authority. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent external audit firm.

3.7 Access to Management and Independent Advice

a) The Committee shall have unrestricted access to the Corporation's management and employees and the books and records of the Corporation and, from time to time may hold unscheduled or regularly scheduled meetings or portions of meetings in executive session or otherwise with the Corporation's independent external audit firm, the Chief Financial Officer, the Chief Executive Officer or the Corporate Secretary.

b) The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Corporation, with notice to either the Chair of the Board or the Chief Executive Officer of the Corporation, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any such consultant or advisor to be used to assist in the evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

3.8 Duty of the Committee

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to establish the Corporation's accounting and financial reporting systems, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

Article 4 – No Rights Created

This Charter is a broad policy statement and is intended to be part of the Board's flexible governance framework. While this Charter should comply with all Applicable Requirements and the Corporation's constating documents, including articles and by-laws, this Charter does not create any legally binding obligations on the Board, the Committee or any other committee of the Board or any director or the Corporation.