

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. *Name and Address of Company*

Aleafia Health Inc. (the “**Company**” or, “**Aleafia Health**”)
2nd Floor, 8810 Jane Street
Vaughan, Ontario, L4K 2M9

Item 2. *Dates of Material Changes*

April 30, May 6, and May 9, 2019

Item 3. *News Release*

The press releases disclosing the material changes were released on April 30, 2019 through the services of Canada NewsWire, and on May 6, and May 9, 2019 through the services of Globe Newswire.

Item 4. *Summary of Material Change*

On April 30, 2019, the Company announced that it has brought its planned outdoor grow expansion to a plant-ready state complete with security measures at the site, and the final evidence package is being submitted to Health Canada.

On May 6, 2019, the Company provided a corporate by-law update that announced a new by-law that was approved by its Board of Directors (the “Advance Notice By-law”). The Advance Notice By-law requires that advance notice be provided to the Company in circumstances in which nominations of persons for election to the Board are made by shareholders other than pursuant to the requisition of a meeting or a shareholder proposal in accordance with the *Business Corporations Act* (Ontario). The Company also announced that it is entering the German medical cannabis market via its joint-venture (the “Joint Venture”) with German pharmaceutical wholesaler Acnos Pharma GmbH and that it has also entered into a supply and licence agreement with the Joint Venture. Emblem Cannabis Corp., a wholly-owned subsidiary of the Company, is the majority shareholder of the Joint Venture. The Company is also expecting to make its first ever international shipment to Australia.

On May 9, 2019, the Company announced that it has completed the largest adult-use cannabis order in the Company’s history.

Item 5. *Full Description of Material Change*

5.1 Full Description of Material Change

On April 30, 2019, the Company announced that it has brought its planned outdoor grow (the “**Outdoor Grow**”) expansion to a plant-ready state with all security measures including fencing and cameras now in place. Photos of the Aleafia Campus Outdoor Grow facility are now being made available to the public.

The Company anticipates submitting its final evidence package to Health Canada in connection with its now active Health Canada Licence Amendment application. The final

submission includes detailed submissions evidencing the implementation of all measures required by Health prior to the awarding of a Licence Amendment. Subject to the receipt of a Health Canada approval, the Company anticipates that its Outdoor Grow will produce approximately 60,000 kg annually of dried flower, with a full growing season, at a cost per gram significantly lower than traditional greenhouse or indoor growing.

Following the anticipated expansion of the three Aleafia Health production facilities, together with confirmed supply agreements, the Company expects to reach an annual production capacity of 138,000 kg of dried flower, and extraction capacity of 50,000 kg.

On **May 6, 2019**, the Company announced that its Board of Directors have approved an advance notice by-law, the purpose of which is to require that advance notice be provided to the Company in circumstances in which nominations of persons for election to the Board are made by shareholders other than pursuant to the requisition of a meeting or a shareholder proposal in accordance with the *Business Corporations Act* (Ontario) (the “**Advance Notice By-law**”).

The Advance Notice By-law fixes a deadline by which shareholders must provide notice to the Company of nominations for election to the Board, and sets out the information that a shareholder must include in the notice for it to be valid.

In the case of an annual meeting of shareholders, the notice must be delivered to the Company no fewer than 30 days prior to the date of the meeting (except that, if the meeting is to be held on a date that is fewer than 50 days after the first public filing or announcement of the date of the meeting, the notice must be delivered no more than 10 days after the date of that public filing or announcement).

In the case of a special meeting of shareholders (which is not also an annual meeting), the notice must be delivered to the Company no more than 15 days after the date of the first public filing or announcement of the date of the meeting.

However, in respect only of the Company’s upcoming annual and special meeting of shareholders to be held on June 17, 2019, the 30-day notice requirement has been waived by the Board and instead the Board has determined that notice must be delivered to the Company by no later than 5:00 p.m. EDT on May 27, 2019.

The Advance Notice By-law is effective immediately. In accordance with the *Business Corporations Act* (Ontario), the Advance Notice By-law will be submitted to the shareholders for confirmation at the Company’s upcoming shareholder meeting.

On **May 6, 2019**, the Company also announced that it is entering the German medical cannabis market via its joint-venture (the “**JV**”) with German pharmaceutical wholesaler Acnos Pharma GmbH (“**Acnos**”), together (the “**Parties**”). The JV entity will purchase Aleafia Health branded cannabis oils for distribution to German pharmacies and for clinical trial usage. The Company’s wholly-owned subsidiary Emblem Cannabis Corp. (“**Emblem**”) is the majority shareholder of the JV with 60 per cent ownership with Acnos owning the remaining 40 per cent.

The Parties have expanded the scope of the previously announced JV formed by Acnos and Emblem, by leveraging the significantly increased access to dried flower and extraction available to the combined entity. The German medical cannabis market has grown rapidly since legalization in 2017, and is projected to produce revenues of \$5 billion in 2025 for cannabis producers, according to a report by Bank of Montreal. Market advantages in Germany include significantly higher margins compared to the Canadian market and reimbursement of patient purchasing costs through private and public health insurance, which is almost entirely non-existent in North America.

Acnos is an Aachen & Berlin-based pharmaceutical wholesaler and distribution logistics company which specializes in branded prescription pharmaceuticals, controlled drugs, and clinical trial supply. Through its extensive German network, they have access to 110 distribution centres and 20,000 pharmacies, along with extensive distribution channels across Europe. Acnos co-owner Maximilian Claudel has been appointed Managing Director of the JV. Acnos is currently building a dedicated cannabis product storage and order fulfilment hub within its new headquarters.

The Company has also entered into a supply and licence agreement with the JV, allowing the JV to purchase and import the Company's branded medical cannabis oil. The first phase of orders will meet or exceed 22,500 30 ml and 60 ml bottles, with a significant ramp-up in supply expected in subsequent quarters. Both parties will now provide initial funding to the JV in the amount of 700,000€, proportionate to their respective ownership stakes.

Oils exported and sold to the JV will be grown and produced by the Company. Extraction and packaging will occur in the Phase II expansion of its Paris Facility, which includes a 5,000 sq. ft. laboratory designed and being built to Good Manufacturing Practices (GMP) standards, a requirement for pharmaceutical products to be sold in the European Union market. Among the regulatory demands required prior to the first export of Aleafia Health cannabis oils are securing GMP Certification for the Paris Facility, and obtaining the necessary import and export permits.

FIRST INTERNATIONAL PRODUCT EXPORT TO AUSTRALIA

Additionally, the Company expects to soon complete its first ever international product sale, with a planned shipment of Aleafia Health medical cannabis products to Australia. The Company is now in receipt of an import permit from the Australian Office of Drug Control, and will complete the transaction upon receipt of a Health Canada export permit.

On May 9, 2019, the Company announced that it has completed the largest adult-use cannabis order (the "**Order**") in the Company's history that day. The Order is scheduled to depart from the Company's facility on that day, with delivery to a Canadian provincial government for distribution to online and retail consumers. It will contain the Company's branded Syml oils, oral sprays and dried flower products.

The value of the Order is expected to generate proceeds from the sale of cannabis exceeding \$0.7 million. In the first 38 days of Q2 2019, including the revenue to be obtained from the Order, the Company has received adult-use cannabis product orders from three Canadian provincial governments of over \$1.2 million in gross revenue,

representing significant growth when compared to the sale of cannabis revenues generated during 2018. Previously, in its 2018 audited financial statements, Aleafia Health recognized revenues from the sale of cannabis of \$0.6 million, derived exclusively from wholesale transactions of dried flower to a Licensed Producer.

5.2 Disclosure for Restructuring Transactions

Not Applicable.

Item 6. *Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102 – Continuous Disclosure Obligations*

Not Applicable

Item 7. *Item 7 - Omitted Information*

No information has been omitted from this material change report.

Item 8. *Executive Officer*

Benjamin Ferdinand
Chief Financial Officer
416-860-5665

Item 9. *Date of Report*

May 10, 2019