ALEAFIA HEALTH INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2021

Dated November 11, 2021

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MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

This Management’s Discussion and Analysis (“MD&A”) of Aleafia Health Inc. (the “Company” or “Aleafia Health”) is dated November 11, 2021 and provides an analysis of the financial operating results for the three and nine months ended September 30, 2021. 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. This MD&A should be read in conjunction with the Company’s consolidated financial statements for the three and nine months ended September, 2021 and notes thereto (the “Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for consolidated financial statements.

All amounts are in Canadian dollars unless otherwise specified. The MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 “Continuous Disclosure Obligations” (“NI 51- 102”) of the Canadian Securities Administrators. This MD&A, the consolidated financial statements, and press releases have been filed on SEDAR. Additional information is also available on the Company’s website at www.AleafiaHealth.com. The common shares of the Company are traded on the Toronto Stock Exchange (“TSX”) under the symbol “AH”. The Company also has a class of convertible debentures (AH.DB) and three classes of warrants (AH.WT),(AH.WT.A), and (AH.WT.B) which trade on the TSX.

COMPANY OVERVIEW

Aleafia Health is a publicly traded corporation incorporated under the laws of Ontario. Aleafia Health's head and registered office is currently located at 85 Basaltic Road, Concord, Ontario and its corporate website is www.AleafiaHealth.com.

Aleafia Health is a vertically integrated and federally licensed Canadian cannabis company offering cannabis health and wellness services and products in Canada. The Company has developed an international footprint, with subsidiaries or investments in German and Australian medical cannabis companies and products available in both markets. The Company owns and operates a virtual network of medical cannabis clinics staffed by physicians and nurse practitioners who have seen over 75,000 patients to date.

Aleafia Health owns three licensed cannabis production facilities and operates a strategically located distribution centre all in the province of Ontario, including the first large-scale, legal outdoor cultivation facility in Canadian history. The Company produces a diverse portfolio of cannabis derivative products including oils, capsules, edibles, sublingual strips, and vapes, for sale in Canada in the medical and adult-use markets, and in select international jurisdictions.

Brands Portfolio

The Company has a portfolio of six consumer facing brands in the medical and adult-use markets. They span from the value oriented, price-conscious segment to the premium-priced end of the market. Emblem is exclusively used in the medical market, with five distinct adult-use brands each tailored to a different consumer segment.

EVERYDAY CANNABIS BRAND

Divvy.

Divvy Cannabis brings frequent cannabis users good quality products at value-oriented price-points. With flower harvested from our hybrid greenhouse and outdoor operations, Divvy flower makes its way in pre-roll 12-packs, 14-gram flower and 10-gram milled flower pouches.

SUBLINGUALS BRAND

KIN SLIPS

Kin Slips are cannabis-infused sublingual strips, an edible alternative that are discreet, precise, and provide rapid onset. Kin Slips are formulated with peppermint oil to deliver a fresh minty sensation. They are vegan, contain only natural ingredients, and come in roughly the size of a postage stamp.

CANNABIS HEALTH & WELLNESS BRAND

Noon & Night is a CBD-forward line of wellness products ranging from bath bombs to the first of its kind in the Canadian market Omega CBD Soft Gels. Noon & Night is highly differentiated, filling a gap in the cannabis brand landscape with its exclusive focus on health and wellness conscious consumers.

EDIBLES BRAND

Bogart’s Kitchen is home to edible creations. We make edibles that taste great because deliciousness can be a trip all its own. Conceived in the kitchens of Aleafia Health’s product innovation centre in Paris, Ont., Bogart's Kitchen products are the result of extensive R&D and culinary artistry.

PREMIUM BRAND

Nith & Grand proudly grows cannabis with character in our high-tech indoor facility situated in Paris, Ontario. Featuring hang dried, hand trimmed, small batch dried flower, and premium concentrates, Nith & Grand appeals to cannabis aficionados with discerning tastes.

FLAGSHIP MEDICAL CANNABIS BRAND

From our team of growers to our Client Care team, each of us works toward giving patients the best medical cannabis experience. Emblem is the heart of our unique medical cannabis ecosystem, as a trusted brand and ecommerce marketplace with a well-earned reputation for product excellence.

Products & Strategy

The Company sells its products through three sales channels: adult-use, medical, and bulk wholesale. The adult-use sales channel in Canada is now the Company's largest sales channel based on total gross revenue, with distribution agreements and entrenched relationships in four provinces representing an estimated 65% of the Canadian population. The Company has rapidly gained market share with the launch of five differentiated consumer facing brands and a comprehensive suite of flower and cannabis derivative products to serve our loyal consumer following. Over the span of the last four quarters our market share has grown to where we are now definitively in the top quartile of Canadian LPs, and represents 53% of our Q3 2021 total cannabis net revenue.

The medical sales channel in Canada is core to the Company and supported by our medical ecosystem, offering the ability for new patients to be onboarded, consulted, prescribed and delivered medical cannabis products in the same day. With over 18,000 active patients and established ordering patterns, this sales channel has a high level of recurring revenue. Our Emblem brand is used exclusively in our medical sales channel. In addition to physical clinic locations, we operate virtual clinics which allows patients across Canada to access our products. We have established strong partnerships with large unions and employers which provide large addressable markets for us to continue to penetrate. The medical sales channel represents 26% of our Q3 2021 cannabis net revenue.

The bulk wholesale sales channel has been an important vertical for the Company as it allows the Company to opportunistically sell cannabis, oils, distillate isolate and other cannabis input materials to maximize net realizable margin on our cultivation harvest. We have visibility into a sizable portion of bulk wholesale sales based on contractual purchase orders and commitments. The bulk wholesale sales channel represents 21% of our Q3 2021 cannabis net revenue.

The Company currently produces a diverse portfolio of cannabis products for sale to medical cannabis patients, to other Licensed Producers, into provincial adult-use sales channels and internationally to the German and Australia medical-use markets. The Company continued its strategic expansion of its product portfolio, as outlined below, which commenced in October 2020. The Company aims to couple its low-cost cultivation with high margin, unique product formats tailored to the various need-states of cannabis patients and consumers.

a) **Dried Flower & Pre-rolls**

The Company has undertaken an expansion of its dried flower and pre-roll offering, which represent the first and third largest product categories in the Canadian cannabis market, respectively, according to data from Hifyre. Driven by continued ramp up production facilities, Aleafia Health is able to deliver greater product availability, and new larger format stock-keeping-units ("SKU"). These include a pre-roll line extension with 12 pre-rolls each of 0.35 grams, and 14-gram flower pouches. Sales of these products and other new dried flower SKUs commenced during Q2 2021, under the newly launched brand Divvy.

b) **Vape Cartridges**

Vapes represent the second largest product category in the Canadian adult-use market. The Company's vape portfolio is inspired by Aleafia Health's portfolio of cultivars. The custom-made, unique terpene blends deliver robust flavours and consistent effects. In July 2021, the Company launched Live Resin vape cartridges, a product positioned to be a premium vape offering featuring a hydrocarbon extraction process utilizing fresh-frozen cannabis flower that preserves the strain's natural flavour, aroma and terpene profile.

c) **Cannabis Oils**

Cannabis oil products remain a core product category for wellness-oriented medical patients and adult-use consumers. Recent line extensions include the innovative Omega CBD Soft Gels which feature full-spectrum, single strain CBD extract, and are the first Canadian cannabis products to be suspended in fish oil containing omega-3.

d) **Cannabis-Infused Sublingual Strips**

Kin Slips, cannabis-infused sublingual strips, offer a fast onset time relative to other non-combustible cannabis products. Placed under the tongue, the active ingredients enter the bloodstream through the sublingual gland, delivering a typical onset time of 10 to 15 minutes (though individual experience may vary).

e) **Confectionary Edibles**

During Q1 2021, the Company released its first cannabis edible product, soft chews, with two THC and one CBD-dominant offering. Further strengthening the edibles portfolio, Salted Caramel Pretzel Bites were launched under the Bogart's Kitchen edibles brand.

f) **Bath & Body**

During Q2 2021, the Company launched Lavender Fizz CBD bath bombs along with CBD Freshly Minted Roll-on. The peppermint-scented roll-on is designed to provide a soothing, aromatic experience through local application on the hairline, neck, forehead and shoulders.

KEY DEVELOPMENTS

a) Launch of Nith & Grand

On July 19, 2021, the Company announced the launch of its premium cannabis brand Nith & Grand. Featuring hang dried, hand trimmed, small batch dried flower, and premium concentrates, Nith & Grand appeals to experienced cannabis aficionados.

b) Appointment of Mark J. Sandler as Board Chair, and Appointment of David Pasieka to Board

On July 29, 2021, Mark J. Sandler was appointed as Chair of Aleafia Health's Board of Directors. He is the longest serving member of the Company's board. Currently senior partner at Cooper, Sandler, Shime, & Bergman LLP, Mr. Sandler is a leading appellate and trial lawyer, as well as an adjudicator and mediator in regulatory matters, including securities litigation. He served three terms as an elected member of the Law Society of Ontario's governing body. During the quarter, the Company also announced the appointment of David Pasieka to its board of directors, and the resignation of Mike LeClair. Mr. Pasieka is a seasoned public company executive and director with extensive board level experience in finance & audit, risk management, and ESG. Mr. Pasieka was a long-standing c-suite executive at Algonquin Power & Utilities, overseeing its growth into a global energy leader and member of the S&P/TSX 60 Index of Canada's largest companies.

c) $10M Credit Facility

On August 23, 2021, the Company announced the closing of a $10 million senior secured term credit facility (the "Credit Facility"). The full amount of the Credit Facility was drawn down by the Company on closing. The Credit Facility carries a 12-month term, with an option for early repayment. The outstanding amount of the Credit Facility together with accrued and unpaid interest thereon, may be voluntarily repaid by the Company at any time, with payment of customary prepayment fees.

d) 2021 Outdoor Harvest

Subsequent to the reporting period, the Company completed the harvesting of its 2021 outdoor cannabis facility in Port Perry. Testing and weighing of CBD-dominant CBD/THC balanced cultivars, which represents the vast majority of the total weight harvested, remains underway, and are not reflected in the results below.

Preliminary test results of THC dominant dried flower indicate a significant improvement in potency and total kilograms harvested that can be made available to sell in the adult-use market in pre-roll and milled formats. A total of 11,600 kgs with an average THC potency of 22% will be allocated for sale in the adult-use market, primarily under Aleafia Health's everyday cannabis brand Divvy. By contrast, in 2020, the Company harvested 7,200 kgs of THC dried flower, but only 7% of this harvest exceeded THC potency of 20%, a key threshold in the adult-use market. The material improvement in potency and yield is attributed to additional cultivars introduced in 2021, following R&D testing in 2020, along with improvements in site infrastructure.

FINANCIAL AND OPERATIONAL RESULTS

Highlights

($,000s)	Three months ended Sep 30, 2021	Sep 30, 2020	Nine months ended Sep 30, 2021	Sep 30, 2020
Sale of cannabis revenue	11,843	4,434	29,093	27,637
Excise taxes	2,357	189	3,779	671
Cannabis net revenue[1]	9,486	4,245	25,314	26,966
Clinic revenue[1][3]	95	723	2,005	2,373
Total net revenue	9,581	4,968	27,319	29,339
Adjusted gross profit before fair value ("FV") adjustments on net cannabis revenue[1][3]	(694)	356	7,748	14,992
Adjusted gross margin before FV adjustments on net cannabis revenue[1][3]	(7%)	8%	31%	56%
Gross profit	(98)	(10,253)	9,579	(2,455)
Adjusted EBITDA[1][2]	(7,604)	(5,213)	(16,778)	4,610
Net loss	**(82,922)**	**(19,761)**	**(94,206)**	**(29,937)**

1. See *"Cautionary Statements Regarding Certain non-IFRS Measures"* section for term definition.
2. See "*Adjusted EBITDA*" section for reconciliation to IFRS equivalent.
3. See "*Revenue*" section for reconciliation to IFRS equivalent.

REVENUE & GROSS MARGINS

The Company generates revenue primarily from the sale of cannabis products through the Canadian medical, adult-use and international channels, and through business-to-business wholesale. Net revenue was $9.6 million for the three months ended September 30, 2021 ("Q3 2021"), an increase of 93% over the prior year's quarter. This was primarily due to an increase in the sale of cannabis.

($,000s, except operational results)	Three months ended Sep 30, 2021	Jun 30, 2021	Sep 30, 2020	% Change Q/Q	Y/Y
Cannabis net revenue[1][2]	9,486	9,583	4,245	(1%)	123%
Net adult-use cannabis revenue[1][2]	5,035	3,217	235	57%	2044%
Net medical cannabis revenue[1][2]	2,506	3,266	1,909	(23%)	31%
Net bulk wholesale cannabis revenue[1][2]	1,945	3,100	2,101	(37%)	(7%)
Operational Results - Cannabis					
Active, registered patients	18,642	18,067	17,526	3%	6%
Adjusted gross margin before FV adjustments on adult-use cannabis net revenue[1][2]	28%	47%	21%	(19%)	8%
Adjusted gross margin before FV adjustments on medical cannabis net revenue[1][2]	47%	41%	26%	6%	21%
Adjusted gross margin before FV adjustments on wholesale cannabis net revenue[1][2]	(169%)	60%	(9%)	(230%)	(161%)
Average net selling price per gram of medical cannabis[1]	$6.14	$7.25	$7.91	(15%)	(22%)
Average net selling price per gram of adult-use cannabis[1]	$6.69	$5.29	$4.92	26%	36%
Average net selling price per gram of bulk wholesale cannabis[1]	$1.26	$0.46	$3.85	174%	(67%)
Kilograms sold	2,709	7,811	835	(65%)	225%

1. See *"Cautionary Statements Regarding Certain non-IFRS Measures"* section for term definition.
2. See *"Revenue"* section for reconciliation to IFRS equivalent.

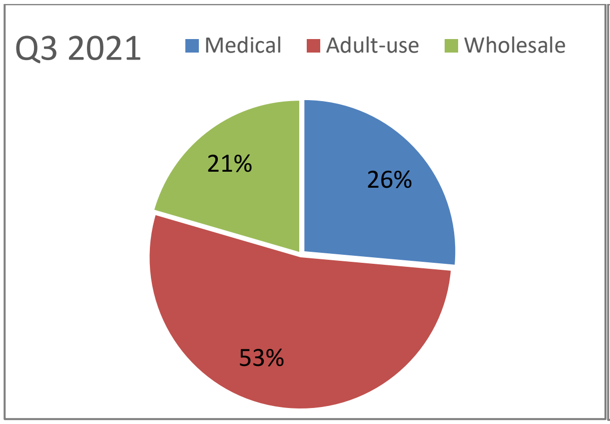
Cannabis Operational Results

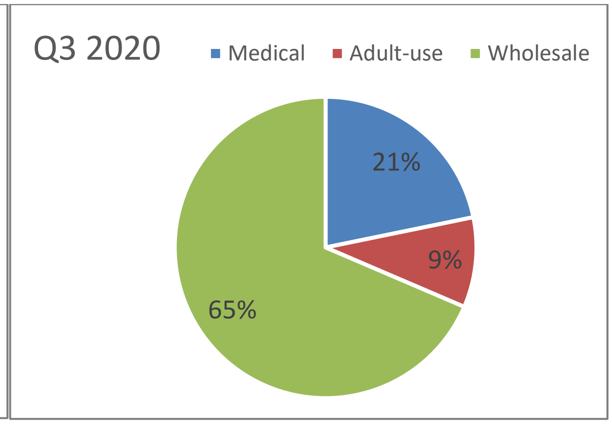
During Q3 2021, cannabis net revenue was $9.5 million, a decrease of 1% and increase 123% over the previous and prior year quarters, respectively. The year over year increase was due to increases in the sale of cannabis across the adult-use and medical sales channels.

($,000s)	Adult-use Cannabis	Medical Cannabis	Bulk Wholesale Cannabis	Total
Three months ended Sep 30, 2021				
Gross revenue	7,179	2,719	1,945	11,843
Excise taxes	2,144	213	-	2,357
Net cannabis revenue	5,035	2,506	1,945	9,486
Cost of goods sold	3,911	1,469	7,734	13,114
Gross profit before FV adjustments(1)	1,125	1,037	(5,789)	(3,628)
Depreciation	293	146	113	552
Write-down to net realizable value included in cost of sales(2)	-	-	2,382	2,382
Adjusted gross profit before FV adjustments(1)	1,418	1,183	(3,294)	(694)
Adjusted gross margin before FV adjustments(1)	28%	47%	(169%)	(7%)
Three months ended Jun 30, 2021				
Gross revenue	3,965	3,497	3,100	10,562
Excise taxes	748	230	-	978
Net cannabis revenue	3,217	3,267	3,100	9,583
Cost of goods sold	1,988	2,207	1,507	5,702
Gross profit before FV adjustments(1)	1,229	1,060	1,593	3,881
Depreciation	288	293	278	859
Adjusted gross profit before FV adjustments(1)	1,517	1,353	1,871	4,740
Adjusted gross margin before FV adjustments(1)	47%	41%	60%	49%
Three months ended Sep 30, 2020				
Gross revenue	271	2,063	2,101	4,434
Excise taxes(2)	36	154	-	190
Net cannabis revenue	235	1,909	2,101	4,245
Cost of goods sold	187	1,417	2,286	3,889
Gross profit before FV adjustments(1)	48	493	(185)	356
Depreciation	-	-	-	-
Adjusted gross profit before FV adjustments(1)	48	493	(185)	356
Adjusted gross margin before FV adjustments(1)	21%	26%	(9%)	8%

1. See *"Cautionary Statements Regarding Certain non-IFRS Measures"* section for term definition.
2. See "*Note 9*" of accompanying financial statements for further discussion.

The below charts illustrate the percentage of total net revenue represented by each sales channel. Due to an increase in the Company's product portfolio, medical and adult-use net revenue represent a meaningfully larger proportion of sales, relative to bulk wholesale net revenue. The adult-use and medical cannabis sales channels now account for a majority of revenue.





Adult-use Cannabis

Net revenue & net revenue per gram

Net adult-use cannabis revenue during the three months ended September 30, 2021 was $5.0 million, an increase of 57% over the previous quarter and 2,044% over the prior year's quarter.

The sequential increase was primarily due to greater product availability and the launch of new product formats and SKUs. Specifically, this was driven by increased sales of dried flower and pre-rolls, which make up the largest and third largest adult-use product categories. For Q3 2021, adult-use net revenue per gram equivalent sold was $6.69, compared to $5.29 in the previous quarter, and $4.92 in the prior year's quarter.

Gross profit & gross margin

During Q3 2021, adjusted adult-use cannabis gross profit before FV adjustments was $1.4 million, compared to $1.5 million and $48,000 in the previous and prior year's quarters, respectively. Adjusted gross margin before FV adjustments was 28%, compared to 47% and 21% in the previous and prior year's quarter. The sequential decline in gross margin percentage was primarily due to the increase in sales of value priced pre-rolls, which contribute a lower gross margin.

Medical Cannabis

Net revenue & net revenue per gram

Medical cannabis net revenue for Q3 2021 was $2.5 million, a 23% decrease over the previous quarter and 31% increase over the prior year's quarter. The sequential decline was due to seasonally lower prescriptions written and filled during the summer months and a decline in international medical cannabis sales during the quarter. Management believes that the Company's medical cannabis ecosystem, which includes clinics and scheduled same day delivery, in addition to cannabis products, provides the company with a core competitive advantage. For Q3 2021, medical cannabis net revenue per gram equivalent sold was $6.14, compared to $7.25 and $7.91 in the previous and prior year's quarters. This was due price compression and a higher volume sales strategy.

Clinic Revenue

The decrease in clinic revenue relates to the Asset Purchase Acquisition with Myconic Capital Corp (d.b.a Ketamine One) whereby certain revenue streams relating to the clinic operations were assigned to Myconic Capital Corp. The Company continues to earn a nominal service fee and retained a small portion of the doctor service fee.

Gross profit & gross margin

For Q3 2021, adjusted medical cannabis gross profit before FV adjustments was $1.2 million, compared to $1.4 million and $0.5 million in the previous and prior year's quarters. Adjusted gross margin before FV adjustments was 47%, compared to 41% and 26% in the previous and prior year's quarters respectively.

Bulk Wholesale

Net revenue & revenue per gram

Net bulk wholesale revenue received from sales to cannabis licensed producers, as defined in the *Cannabis Act* (each an "LP") was $1.9 million, compared to $3.1 million and $2.1 million in the previous and prior year's quarters, respectively.

Bulk wholesale net revenue per gram equivalent sold was $1.26, compared to $0.46 and $3.85 in the previous and prior year's quarters.

Gross profit & gross margin

During Q3 2021, adjusted wholesale bulk cannabis gross profit before FV adjustments was a loss of $5.7 million, compared to profit of $1.9 million and loss of $0.2 million in the previous and prior year's quarters, respectively. The negative gross margin is attributable to the Company recording an inventory reserve of $2.4 million, and the opportunistic sale of aged CBD distillate, which was no longer required due to a greater focus on THC dominant vape SKUs.

OPERATING EXPENSES

Operating expenses for the three months ended September 20, 2021 were $13.0 million, compared to $10.9 million in the prior year's quarter. The increase is primarily attributed to a higher bad debt expense, which is related to one past due account, and has been provided for based on management's estimate of collectability.

	Three months ended		Nine months ended	
($,000s)	Sep 30, 2021	Sep 30, 2020	Sep 30, 2021	Sep 30, 2020
General and administrative	2,772	3,751	11,385	9,792
Wages and benefits	4,233	1,917	10,875	7,514
Amortization and depreciation	1,836	3,273	5,349	7,515
Share-based compensation expense	1,050	648	2,168	2,108
Bad debt expense	2,225	500	9,944	904
Business transaction costs	865	816	3,379	3,322
Total	12,981	10,905	43,100	31,155

Wages and benefits increase relates to an increase in headcount to support product launches and higher adult-use cannabis sales volume. Wages and benefits for the nine months ended September 30, 2021, includes the Canada Emergency Wage Subsidy receipt of $0.3 million.

Amortization and depreciation expense decreased compared to the three and nine months ended September 30, 2020 due to impairments taken on intangible assets during the year ended December 31, 2020.

Goodwill and Intangible Asset Impairment

During the three months ended September 30, 2021, the Company recognized non-cash impairment charges of $11.3 million related to goodwill and $53.1 million related to its intangible assets subject to amortization. In response to indicators of impairment identified during the third quarter, the Company performed an impairment analysis on its intangible assets subject to amortization and goodwill for each cash generating unit ("CGU"). The recoverable amounts for each CGU were based on its value in use ("VIU") which was determined to be greater than its fair value less costs of disposal. The VIU was estimated using level 3 inputs and a discounted cash flow analysis approach. The significant assumptions applied in the determination of the recoverable amount are described below for the discounted cash flow method: Cash flows - Estimated cash flows were projected based on observable historical trends, new planned growth initiatives, industry and market growth trends, and third-party research reports and estimates. Estimated cash flows are primarily driven by sales volumes, selling prices and operating costs. The Company utilized a five-year forecast and accounted for long-term growth through the use of a terminal value assuming a long-term sustainable growth rate. The weighted average cost of capital ("WACC") was estimated based on the risk-free rate, equity risk premium and after-tax cost of. As a result of the analysis, it was determined that all three CGU's had carrying values greater than the recoverable amounts. At September 30, 2021, the net book value of the goodwill and intangibles is $Nil.

ADJUSTED EBITDA

Adjusted EBITDA is widely used by industry participants and analysts to measure company performance. The Company considers adjusted EBITDA a key metric of operating performance and cash flow, to manage working capital, debt repayments and capital expenditures.

($,000s)	Three months ended Sep 30, 2021	Three months ended Sep 30, 2020	Nine months ended Sep 30, 2021	Nine months ended Sep 30, 2020
Net loss	**(82,922)**	**(19,761)**	**(94,206)**	**(29,937)**
Add back:				
Depreciation and amortization[1]	2,388	3,273	7,338	7,515
Interest expense, net	1,982	3,062	5,975	8,538
Income tax expense (recovery)	(2,854)	(4,394)	(2,854)	(5,394)
EBITDA	(81,406)	(17,820)	(83,747)	(19,278)
Write-down to net realizable value included in cost of sales[(2)]	2,382	-	-	-
FV changes in biological assets and changes in inventory sold	(3,435)	10,708	(6,086)	18,027
Share-based payments	1,050	648	2,168	2,108
Bad debt expense	2,225	500	9,944	904
Business transaction costs	865	816	3,379	3,322
Unrealized (gain) loss on marketable securities	6,300	(61)	5,600	(66)
Gain on sale of assets	-	-	(12,092)	-
Impairment of goodwill	11,314	-	11,314	-
Impairment of intangible assets	53,093	-	53,093	-
Non-operating expense (income)	8	(4)	(351)	(407)
Adjusted EBITDA[(3)]	(7,604)	(5,213)	(16,778)	4,610

1. Includes non-cash depreciation expensed to cost of sales.
2. See "*Note 9*" of accompanying financial statements for further discussion.
3. See "Cautionary Statements Regarding Certain non-IFRS Measures" section for term definition.

Net loss for the three months ended September 30, 2021 was $82.9 million compared to a net loss of $19.8 million over the prior year's quarter. The increase in net loss over the prior year's quarter is primarily due non-cash items including a $53.1 million impairment of intangible assets and a $11.3 million impairment of goodwill.

Adjusted EBITDA for the three months ended September 30, 2021 was a loss of $7.6 million, compared to a loss of $5.2 million in the prior year's quarter. The decline over the prior year's quarter was primarily due to an increase in cost of sales, which relates to the one-time sale of aged inventory in the bulk wholesale channel.

HISTORICAL FINANCIAL RESULTS

	Three months ended			
($,000s)	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Net revenue	9,581	10,672	7,066	15,203
Net cannabis revenue	9,486	9,583	6,245	14,122
Adjusted gross profit before fair value ("FV") adjustments on net cannabis revenue	(694)	4,740	3,702	8,365
Adjusted gross margin before FV adjustments on net cannabis revenue[1]	(7%)	49%	59%	59%
SG&A expenses	7,870	10,226	8,350	7,909
Net loss	(82,922)	(36)	(11,248)	(217,301)
Basic and diluted earnings (loss) per share	($0.25)	($0.00)	($0.03)	($0.72)
Balance Sheet				
Working capital	4,144	21,154	52,478	37,882
Total assets	152,708	221,423	223,913	237,283
Total non-current financial liabilities	4,872	4,965	38,382	38,021

	Three months ended			
($,000s)	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Net revenue	4,968	9,775	14,596	6,028
Net cannabis revenue	4,245	8,995	13,726	4,852
Adjusted gross profit before fair value ("FV") adjustments on net cannabis revenue	356	2,962	11,674	3,864
Adjusted gross margin before FV adjustments on net cannabis revenue[1]	8%	33%	85%	80%
SG&A expenses	6,484	8,500	6,104	5,924
Net loss	(19,761)	(4,020)	(6,156)	(9,759)
Basic and diluted earnings (loss) per share	($0.07)	($0.01)	($0.02)	($0.04)
Balance Sheet				
Working capital	51,441	74,666	67,686	96,903
Total assets	454,737	468,015	449,449	462,357
Total non-current financial liabilities	34,399	36,906	35,193	57,104

LIQUIDITY AND CAPITAL RESOURCES

($,000s)	Sep 30, 2021	Dec 31, 2020
Cash, cash equivalents, marketable securities	11,338	30,529
Current assets	69,894	82,923
Current liabilities	65,750	45,041
Working capital	4,144	37,882
Total assets	152,708	237,283
Total liabilities	67,768	83,062
Capitalization		
Lease liability	2,533	3,167
Credit facility	9,942	-
Convertible debt	34,741	56,802
Total debt	47,216	59,969
Total equity	84,940	154,221
Total capitalization	132,156	214,190

The Company's objectives when managing its liquidity and capital resources are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans while maintaining healthy liquidity reserves and access to capital for at least the next twelve months.

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. The Company manages liquidity risk through the management of its capital structure. At September 30, 2021 the Company's contractual obligations consist of accounts payable and accrued liabilities, credit facility, convertible debt, and lease liability, which has a contractual maturity date within one year. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

The following table sets forth the use of proceeds from the Company's equity offering completed over the last four quarters.

Date	Type	Gross Proceeds	Initially Intended Use of Proceeds	Actual Usage of Proceeds
March 9, 2021	Underwritten bought deal offering	$22.7 million	The Company expects to use the proceeds for general corporate purposes, which may include: (i) working capital; (ii) capital expenditures; and (iii) debt repayments.	$15.4M of the proceeds was applied towards operating expenses, $2M to working capital, $2M to capital expenditures, and $1.6M to interest on debt. All proceeds were used by June 30, 2021.

Cash Flow Highlights

A condensed consolidated cash flow statement of the Company is summarized below:

($,000s)	Three months ended Sep 30, 2021	Three months ended Sep 30, 2020	Nine months ended Sep 30, 2021	Nine months ended Sep 30, 2020
Cash balance, beginning of period	4,854	45,339	30,529	41,247
Cash used in operating activities	(9,851)	(6,435)	(29,541)	(1,408)
Cash provided by used in investing activities	(86)	(4,272)	(2,204)	(17,901)
Cash provided by (used in) financing activities	9,771	(133)	5,904	12,621
Cash balance, end of period	4,688	34,499	4,688	34,559

The Company's cash flow from operations consists of revenue generated from consultation, research services and the sale of cannabis.

Operating Activities

Cash used in operating activities was $29.5 million for the nine months ended September 30, 2021 compared to cash used in operating activities of $1.4 million for the nine months ended September 30, 2020. Excluding working capital, the $22.4 million decrease in cash relates to an investment in operations to launch new products and support organic revenue growth. During the nine months ended September 30, 2021 changes in working capital reflect a $7.1 million investment, compared to a recovery of $7.3 million dollars for the nine months ended September 30, 2020.

Investing Activities

Cash used in investing activities was $2.2 million for the nine months ended September 30, 2021 compared to $17.9 million for the nine months ended September 30, 2020. Cash used in investing activities has declined significantly, due to the completion of significant capital projects at all four of the

Company's production facilities.

Financing Activities

Cash provided by financing activities was $5.9 million for the nine months ended September 30, 2021 compared to cash provided by financing activities of $12.6 million for the nine months ended September 30, 2020. This was a result of the full repayment of the $25.0 million Emblem convertible debt in February 2021, offset with $21.0 million in proceeds from the bought deal financing in March 2021 and the credit facility of $10.0 million during the quarter. The nine months ending September 30, 2020, includes proceeds of $13.0 million from the issuance of common shares.

Contractual Obligations & Capital Expenditures

As of September 30, 2021, the Company had the following contractual obligations:

($,000s)	< 2 years	2-5 years	Total
Purchase commitments	937		937
Total	937	-	937

These are almost all commitments to obtain production machinery required to manufacture additional product formats.

Convertible Debt

In June 2019, Aleafia Health issued 40,250 additional convertible debentures units (the "Debenture Units") for gross proceeds of $40.3 million. Each Debenture Unit consisted of one $1,000 principal amount of an unsecured convertible debenture of Aleafia Health and 680 common share purchase warrants, which debentures contained the following terms:

- a maturity date of June 27, 2022;
- an interest rate of 8.5% per annum; payable semi-annually;
- convertible at $1.55 per share until June 27, 2022 at the option of the holder; and
- Aleafia Health may accelerate the expiry date of the common share purchase warrants with 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 $3.10 for 20 consecutive trading days.

During 2019, Debenture holders converted $2.9 million debentures to common shares. Accordingly, the remaining principal balance to be paid upon maturity is $37.4 million.

Credit Facility

On August 23, 2021, the Company entered into the Credit Facility to receive $10 million for working capital and general corporate purposes. The term of the loan is for one year and bears interest at a rate of 12%. Accrued interest may either be paid monthly in arrears or upon maturity of the facility. In addition, 1,000,000 common share purchase warrants with an exercise price of $0.32 were granted and vest in four tranches of 250,000 quarterly commencing November 20, 2021. The facility is secured by first lien mortgages on the Paris, Ontario and Grimsby, Ontario production facilities.

Contingencies

In the ordinary course of business, from time to time, the Company may be involved in various claims related to its commercial and/or corporate activities. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to the interim condensed consolidated financial statements.

Certain of Emblem Corp.'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 Corp. parties by an individual. The plaintiff has claimed $10 million in damages. The claim is being contested and the action is currently at the discovery stage. The outcome of this legal matter is subject to negotiations by the officers of the Company and the Company believes its 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.

On June 16, 2020 a class-action lawsuit was issued in Calgary, Alberta by Lisa Marie Langevin as the proposed representative plaintiff. The claim has been filed against most of the cannabis manufacturers in Canada and includes, among the many defendants, Emblem Corp. and Aleafia Health. The claim alleges that the THC and CBD levels in the products manufactured and/or sold by the defendants differed from what was represented on packaging, specifically alleging that THC and CBD levels were found to be significantly higher than indicated in some products while others may have had significantly lower levels. The action is seeking $500 million (or such other amount as may be proven at trial) for all Canadians who purchased medicinal cannabis products on or after June 16, 2010 as well as Canadians who legally purchased cannabis for recreational purposes on or after October 17, 2018. The claim also seeks $5 million in punitive damages. Ms. Langevin has not alleged that she ever purchased product from Emblem or Aleafia Health. The case is at its earliest stages and has not been certified as a class proceeding. The Company believes it has good defences to the claim and intends to vigorously defend the claim. Accordingly, at this stage no contingency has been provided for in respect of this claim.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Other than compensation and benefits paid to directors or key management personnel in the normal course of business, as further set out in Note 8 of our Q3 2021 Financial Statements, the Company had no transactions with its related parties (as defined under IFRS) during the reporting period.

FINANCIAL INSTRUMENTS

The table below summarizes the categories under IAS 39 and the new measurement under IFRS 9 for the financial assets and financial liabilities:

($,000s)	Sep 30, 2021	Dec 31, 2020
Fair value through profit and loss(1)	18,174	37,149
Assets, amortized cost(2)	8,224	13,041
Liabilities, amortized cost(3)	67,708	80,135

1. Cash and cash equivalents, investments and marketable securities.
2. Trade and other receivable.
3. Accounts payable, lease liability, credit facility and convertible debt.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 - Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by Level within the fair value hierarchy:

Fair value measurements using	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	$	$	$	$
Cash	4,688	-	-	4,688
Marketable securities	6,650	-	-	6,650
Investments	-	2,836	4,000	6,836
Total	11,338	2,836	4,000	18,174

Financial Instruments Risk Management

Effective risk management is fundamental to the success of the organization and is recognized as key in the Company's overall approach to strategy management. The primary goals of the risk management are to ensure that the outcomes of risk-taking activities are consistent with Company's strategies and risk appetite and that there is an appropriate balance between risk and reward to maximize shareholder value.

The Company has identified the following potential financial risk categories, in addition to those set out under the "*Risk Factors*" section of annual MD&A for the year ended December 31, 2020 and the Company's Annual Information Form:

a) **Currency risk**

The Company's revenues and expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The Company is attracting foreign investments and in future, the Company's financial assets and liabilities may comprise of foreign currency marketable securities, convertible notes, long term investments and promissory notes.

b) **Interest rate risk**

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term nature. The Company has not entered any derivative instruments to manage interest rate fluctuations.

c) **Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents, trade and other receivables and short-term investments. The risk exposure is limited to their carrying values reflected on the statement of financial position.

To minimize the credit risk, the Company transacts with a high-quality financial institution for cash and cash equivalents and short-term investments. The Company performs a credit risk assessment on all potential new customers and on an ongoing basis reviews such risk assessment.

d) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has experienced recurring losses and has a cumulative deficit of $347,722. Cash flow from operations is negative due in part to the high rate of revenue growth the company has experienced which has driven a requirement for working capital and selling, general & administrative investment.

At September 30, 2021, the Company has total current assets of $69,894 and total current liabilities of $65,750, providing for net current assets of $4,144. Within its current asset base are cash and cash equivalents and marketable securities of $11,338.

The Company's objectives when managing its liquidity and capital resources are to ensure sufficient liquidity to meet its financial obligations and execute its operating and strategic plans for at least the next twelve months. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. The Company manages liquidity risk by seeking out new debt and equity financing options, reviewing its capital structure to optimize the cost of capital, maintaining the continuity of equity and debt funding options, managing its non-cash current assets to ensure the timely conversion to cash, and putting in plans in place to meet its financial obligations as they come due.

The Company has multiple options to meet its liquidity needs including, converting its non-cash working capital to cash, issuance of common shares via its at-the-market equity financing program, issuing common shares via a public equity offering, and seeking out new debt financing options.

The Company's ability to meet its commitments to sustain operations and settle its obligations as they become due within the next twelve months and its exposure to liquidity risk is dependent on the Company's ability to:

- Refinance or amend the term of its convertible debentures and credit facility;
- Raise additional debt and equity financing; and
- Realize cash flow from operations which is subject to significant judgements and estimates, the most significant of which is the Company's sales projections and its ability to realize its assets and discharge its liabilities in the normal course of business.

While, the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to obtain sufficient financing in the future on terms favourable for the Company.

SUMMARY OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and issuable in series and an unlimited number of voting common shares. Subsequent to quarter end, 38,594 common shares were issued under the Company's share-based plans. The fully diluted number of common shares outstanding as the date hereof is 427,889,101, which includes 331,007,629 common shares, 63,483,421 warrants, 31,923,951 stock options, 1,027,000 restricted share units and 447,100 deferred share units.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. The Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Biological assets and inventory

In calculating the value of biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Estimated useful lives and impairment considerations

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Share-based compensation and warrants

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of Aleafia Health's stock price and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of Aleafia Health's stock price, the value of the common share, and the risk-free interest rate.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Procedures

Aleafia Health's disclosure controls and procedures (DCP), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109) are designed to provide reasonable assurance that information required to be disclosed in our filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate, to allow timely decisions regarding public disclosure. Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of the DCP as of December 31, 2020 and based on the material weaknesses identified in Internal Control over Financial Reporting outlined below, concluded that the DCP were not effective as of December 31, 2020.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as defined in NI 52-109. ICFR means a process designed by or under the supervision of the CEO and CFO, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's financial position;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Financial Statements.

All internal control systems have inherent limitations and therefore our ICFR can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud. Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our ICFR and concluded that a material weakness existed as of September 30, 2021 and concluded that ICFR were not effective as of September 30, 2021.

Material Weakness Identified

Management identified the following material weaknesses based on a reasonable possibility that the Company's ICFR will fail to prevent or detect a material misstatement.

IT General Controls: The Company did not maintain effective information technology general controls related to user access, change management, and service organization oversight processes that support the Company's financial reporting processes. This may adversely impact the effectiveness of business process controls that are dependent on these systems. No material misstatements were identified as a result of this material weakness in ICFR.

Management Review Controls: The Company did not consistently have documented evidence of review procedures and, due to resource limitations, did not always maintain segregation of duties between preparing and reviewing analyses, reconciliations and journal entries. No material misstatements were identified as a result of this material weakness in ICFR.

Material Weakness Remediation

IT General Controls: Management has determined that there were insufficient resources allocated to IT risk management to effectively implement and maintain IT General Controls. Management onboarded a new VP, Information Technology in the fourth quarter who will take ownership of all IT related remediation. Additional resources were onboarded in the first half of 2021 to support user, change management, and service organization oversight activities.

Management Review Controls: The Company augmented the Finance team through the addition of a VP, Finance in June 2021, which will allow for a reassignment of preparation and review activities that currently lack effective segregation of duties. Management will formalize control evidence, review and retention practices to corroborate effective operation of controls.

Changes in Internal Control over Financial Reporting

With the exception of the material weakness identified there were no other changes in our internal control over financial reporting during the quarter that materially affected, or were reasonably likely to materially affect, our ICFR.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for the historical statements contained herein, this Management's Discussion and Analysis 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. 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. 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 Company's expectations regarding its revenue, expenses, profit margins and operations;
- 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 licensing;
- the current political, legal and regulatory landscape surrounding medical and adult-use 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;
- expectations with respect to the advancement and adoption of new product lines and ingredients;
- expectations with respect to future production costs and capacity;
- expectations with respect to the renewal and/or extension of the Company's permits and licenses;
- 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 medical 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 share 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 medical cannabis industry involves risks and uncertainties and 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 MD&A 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 MD&A, please see "*Risk Factors*" in the Company's Annual Information Form available on the Company's profile at www.SEDAR.com.

CAUTIONARY STATEMENT REGARDING NON-IFRS MEASURES

This MD&A contains non-IFRS financial performance measures which the Company believes provides users with relevant information regarding operation performance. These measures are not recognized or defined under IFRS, and as a result, they may not be comparable to the data presented by competitors. These non-IFRS measures include, but are not limited to:

- Adjusted EBITDA is calculated as net income (loss), excluding (i) amortization and depreciation, (ii) fair value changes in biological assets and changes in inventory sold, (iii) share-based payments, (iv) bad debt expense, (v) business transaction costs, (vi) non-operating expenses (income), (vii) taxes, (viii) interest expenses, (ix) one-time sale of assets, and (x) unrealized gain (loss) on marketable securities.
- Average net selling price of cannabis is calculated as cannabis net revenue divided by the total quantity of grams and grams equivalents sold during the reporting period.
    - Average net selling price of medical cannabis is medical cannabis net revenue divided by the total quantity of grams and grams equivalents sold in the medical market during the reporting period.

  - Average net selling price of adult-use cannabis is adult-use cannabis net revenue divided by the total quantity of grams and grams equivalents sold in the adult-use market during the reporting period.
  - Average net selling price of bulk wholesale cannabis is bulk wholesale cannabis net revenue divided by the total quantity of grams and grams equivalent sold to other LPs during the reporting period.

- Cannabis net revenue is sale of cannabis revenue less excise taxes
  - Medical cannabis net revenue is net cannabis revenue for Canadian and international medical sales.
  - Adult-use cannabis net revenue is net cannabis revenue for Canadian adult-use sales.
  - Wholesale bulk cannabis net revenue is net cannabis revenue in sales to other LPs.

- Gross profit on clinic revenue is (i) clinic revenue, less (ii) doctor services
- Gross margin on clinic revenue is (i) gross profit on clinic revenue, divided by (ii) clinic revenue
- Gross profit before FV adjustments on cannabis revenue is calculated as cannabis net revenue, less (i) inventory expenses to cost of sales, and (ii) doctor services. Management believes that this is a useful metric to assess the profitability of cannabis sales, as it eliminates the effects of non-cash FV changes in inventory and biological assets.
- Adjusted gross margin before FV adjustments on cannabis net revenue represents cash gross profit and gross margin on cannabis net revenue. It is calculated by subtracting from cannabis net revenue cost of goods sold, and adding back the depreciation component of cost of goods sold.
- Adjusted gross margin before FV adjustments on cannabis net revenue is calculated as adjusted gross profit before FV adjustments on cannabis net revenue, divided by cannabis net revenue. Adjusted gross profit and adjusted gross margin before FV adjustments on cannabis revenue are further broken down by consumer market:
  - Adjusted gross profit and adjusted gross margin before FV adjustments on medical cannabis revenue is adjusted gross profit and adjusted gross margin before FV adjustments on Canadian medical net revenue.
  - Adjusted gross profit and adjusted gross margin before FV adjustments on adult-use cannabis revenue is adjusted gross profit and adjusted gross margin before FV adjustments on adult-use net revenue.
  - Adjusted gross profit and adjusted gross margin before FV adjustments on wholesale bulk revenue is adjusted gross profit and adjusted gross margin before FV adjustments on wholesale bulk net revenue.