

**Aleafia Health Inc.
ALEAF
Investment Notes**

<https://www.aleafiahealth.com/>

Please read Disclaimer at bottom of these notes!



Aleafia Health Inc is a Canada-based vertically integrated, national cannabis company with medical clinic, cannabis cultivation and Research and Development (R&D) operations. The Company operates a number of medical cannabis clinics staffed by physicians and nurse practitioners. The Company is differentiated, maintaining the medical cannabis dataset in the world with intellectual property holdings and current R&D operations.



All Amounts are in CAD unless mentioned otherwise!

September 23, 2019 (\$0.67) Increased our position size to 647,335 shares at an average cost of all our owned shares of ~\$0.93

We increased our position size to a ~0.75% position. We bought 403,985 shares at \$0.67 today.

September 20, 2019 (\$0.70)

Two-Minute Drill and Quick Thesis:

Fully diluted shares at June 30, 2019 was 342,358,581. The fully diluted market capitalization is \$240M USD.

We own Aleafia, as we were investors of Emblem Corp., and Emblem was bought out by Aleafia during March 2019.

This is a speculative investment, as are most pure play cannabis companies currently. Our thesis is basically a pure play cannabis investment, with a company that is generally looked on with severe skepticism in the Canadian cannabis space. Our portfolio allocation of < 0.50% is small relative to our other cannabis company holdings. If we had greater conviction of future revenues and earnings, our allocation would be larger.

Insiders own less than 3% of the common stock. I like seeing management have skin in the game. I have not seen any insider selling or open market purchases reported.

The company has secured a Health Canada license for a 1.1M SF outdoor project in Fort Perry. The company is currently growing 13,000 cannabis plants. The company could produce 25,000 kg of cannabis in F2020 at Fort Perry.

The company also has a Niagara Canada 160,000 SF greenhouse, which is in a grow-ready state. The company has submitted their request to be granted a cultivation license. It is projected that this facility could produce 30,000 kg of cannabis annually.

We have seen only one analyst report projecting revenues of \$156.5M CAD (\$117.9M USD using currency conversion ratio of 75.32%) for F2020, and \$300.0M (\$225.96M USD using currency conversion ratio of 75.32%) for F2021. I am not projecting revenues, nor earnings per share at this point. The current market cap of \$240M USD would be a forward price to sales ratio of 2.04X for F2020 analyst revenues, and 1.06X for F2021 analyst revenues. I am very skeptical of the revenue estimates, especially since Aleafia has not reported even \$2.6M in cannabis revenues for any quarter in its history.

As in all our cannabis research, we expect eventual world-wide legalization of cannabis, like the alcohol industry today. Canada is the first G-7 nation to legalize cannabis, and we expect other G-7's to follow suit, including the USA.

Again, this is a speculative investment, in a speculative industry, and cannabis is Federally illegal in the USA. The company could have execution risks, which are also inherent in the industry. The industry is in its infant stages, and there could be several catalysts to increase the share price over time. These catalysts could include legalization in the USA, changes in laws of a Canadian company selling to States in the USA, greater acceptance of cannabis as a long-term future industry in the USA and the world.

August 14, 2019 (\$0.92) 2Q19 results released

SECOND QUARTER 2019 HIGHLIGHTS

Financial Results	Q2 2019 (\$'000s)	Q1 2019 (\$'000s)	Q/Q% change
Gross Revenue	\$3,951	\$1,525	159%
Net Revenue ¹	\$3,839	\$1,525	152%
Sale of Cannabis Revenue	\$2,532	\$531	377%
Clinics Revenue ²	\$1,419	\$994	43%
Gross Profit (loss)	\$2,900	(\$58)	n/a
Adjusted EBITDA ³ (loss)	(\$2,682)	(\$4,745)	-43%

“The Company significantly strengthened its balance sheet and reduced capital risk, with approximately \$58.0 million cash on hand at June 30, 2019, compared to approximately \$36.8 million at March 31, 2019.”

Fully diluted shares at June 30, 2019 was 342,358,581. The fully diluted market capitalization is \$315M USD.

The Company has the following securities issued and outstanding as of June 30, 2019:

Securities issued and outstanding	
June 30, 2019	
Common Stock	274,755,719
Warrants	47,400,757
Stock Options	20,202,105
Fully Diluted	342,358,581

Outstanding Data

As at August 14, 2019,

- (i) there are 274,755,719 Common Shares outstanding;
- (ii) there are 47,400,757 Warrants outstanding;
- (iii) there are 20,202,105 Options outstanding;
- (iv) there are 40,250 units of Aleafia convertible debt outstanding;
- (v) there are 20,580 units of legacy Emblem convertible debt outstanding

Current assets of \$83.3M. Current liabilities of \$7.4M. Current ratio (CA/CL) very strong at 11.33X. This isn't necessarily meaningful because of large cash burns. Cash was \$57.9M, compared to \$26.4M at December 31, 2018, Inventory \$4.3M, and Biological assets of \$2.97M.

Convertible debt of \$51.5M, this was nil on December 31, 2018.

Long-term debt of \$458K, this was nil on December 31, 2018.

Shareholders' Equity of \$386M. Tangible equity is \$115.9M.

Revenue was \$3.9M, yet cannabis revenues were only \$2.5M. Net Loss of (\$11.5M). Embedded in the loss of (\$11.5M) was a \$2.3M unrealized gain on fair value of biological assets, \$855K unrealized loss on marketable securities, and non-operating income of 318K. Adjusting for all of those, the reported loss would have been (\$13.3M).

Conference Call Notes and Quotes:

On track for a September outdoor harvest.



Largest medical production in July, particularly in recent weeks where per purchase order size and registered medical patients. Order count increased by 165% from June to July 2019.

May 22, 2019 (\$1.22) Some real quick notes and clarifications

As disclosed in the AIF on page 40, two insiders own 1.64% each.

Ownership of Common Shares

As of the date of this AIF, the directors and executive officers of the Company, as a group, beneficially owned or controlled or directed, directly or indirectly, an aggregate of 9,702,640 Common Shares (approximately 3.57% of the Common Shares, issued and outstanding).

Just to reiterate Aleafia has the following supply commitments. These are large numbers for a company that has yet to deliver >\$1M in quarterly revenues.

17. COMMITMENTS AND CONTINGENCIES

The Company has entered into arrangements for office, clinic space, cannabis supply and plant construction contracts:

Commitments	Less than 2 years	2 to 5 years	Total
	\$	\$	\$
Cannabis supply agreements	100,299,000	228,498,000	328,797,000
Plant construction contracts	5,941,000	-	5,941,000
Long term arrangements on office space	1,151,656	277,529	1,429,185
Service contract	88,000	-	88,000
TOTAL	107,479,656	228,775,529	336,255,185

The above are commitments by Aleafia to vendors which include Aphria and Natura. According to Aleafia, the supply agreements are all still active. In the case of Aphria and Natura, they are selling cannabis to Aleafia at alleged preferred wholesale pricing. Aphria is 175,000 kg over five years. Natura is 9000 kg over three years. CannTrust is 15,000 kg in one year. That is a lot of commitments!

Aleafia claims to have an agreement with CannTrust to be selling to them.

I corresponded with Aleafia the following question, *“Does Aleafia ever buy from CannTrust, or sell to Aphria and Natura? If yes, would you please elaborate with as much detail as you are able to?”* The response to my question was “no.”

May 15, 2019 (\$1.19)

We own ~171,500 shares, with an average cost of \$1.64 USD.

Two-Minute Drill and Quick Thesis:

We own Aleafia, as we were investors of Emblem Corp., and Emblem was bought out by Aleafia during March 2019.

This is a speculative investment, as are most pure play cannabis companies currently. Our thesis is basically a pure play cannabis investment, with a company that is generally looked on with severe

skepticism in the Canadian cannabis space. The company claims to have cannabis supply agreements through 2023 in the amount of \$328.8M CAD. Our portfolio allocation of < 0.50% is small relative to our other cannabis company holdings. If we had greater conviction of future revenues and earnings, our allocation would be larger.

Insiders own less than 3% of the common stock. I like seeing management have skin in the game. I have not seen any insider selling or open market purchases reported.

I think only one firm has projected revenues, and this was issued November 27, 2018. The projected revenues were \$187.5M CAD (\$139.5M using currency conversion ratio of 74.41%) for F2020, and \$314M CAD (\$233.96M using currency conversion ratio of 74.41%) for F2021. I am not projecting revenues, nor earnings per share at this point. The current market cap of \$402M USD would be a forward price to sales ratio of 2.88X for F2020 analyst revenues, and 1.72X for F2021 analyst revenues. I am very skeptical of the revenue estimates, especially since Aleafia has not reported even \$2M in cannabis revenues for any quarter in its history.

As in all our cannabis research, we expect eventual world-wide legalization of cannabis, like the alcohol industry today. Canada is the first G-7 nation to legalize cannabis, and we expect other G-7's to follow suit, including the USA.

Again, this is a speculative investment, in a speculative industry, and cannabis is Federally illegal in the USA. The company could have execution risks, which are also inherent in the industry. The industry is in its infant stages, and there could be several catalysts to increase the share price over time. These catalysts could include legalization in the USA, changes in laws of a Canadian company selling to States in the USA, greater acceptance of cannabis as a long-term future industry in the USA and the world.

2019 company outlook:

Aleafia expects to reach an annual production capacity of 138,000 KG grams of flower, and extraction capacity of 50,000KG.

Completion of 160,000 sq. ft. Niagara Greenhouse.

60,000 KG for Port Perry outdoor grow is expected to produce 60,000KG annually, following a full growing season.

Completion of Phase II Paris expansion for 50,000 kg of extraction product. The company plans to leverage this by offering tolling and white label services to other licensed producers for both extraction and packaging. This is expected to be completed during June 2019.

Conference call and first quarter 2019 results released:

Weighted average fully diluted shares at March 31, 2019 was 337,830,614. The fully diluted market capitalization is \$402M USD.

Current assets of \$61M. Current liabilities of \$9.7M. Current ratio (CA/CL) very strong at 6.29X. This isn't necessarily meaningful because of large cash burns. Cash was \$36.8M, compared to \$26.4M at December 31, 2018, Inventory \$4.8M, and Biological assets of \$0.75M.

During the three months ended March 31, 2019, the cash and cash equivalents increased by \$10,191,331 with the acquisition of Emblem.

Convertible debt of \$20.7M, this was nil on December 31, 2018.

Shareholders' Equity of \$387.6M. Tangible equity is \$116.8M.

Revenue was less than \$1M. Net Loss of (\$20.2M). Cash deficit was greater than the loss, primarily because of acquisition of PP&E, less a smidgen of depreciation.

On March 14, 2019 Aleafia completed the acquisition of Emblem Corp.

Consideration	\$
Common shares issued (110,823,349 shares at \$2.28)	252,677,236
Warrants issued	42,775,100
Replacement share options	5,921,622
Total consideration	301,373,958
Net assets acquired	\$
Net Tangible assets	77,585,324
Emblem Brand	9,025,000
Growwise brand	4,428,000
Symbl brand	1,674,000
License	33,416,000
IP R&D	639,000
SDM Distribution agreement	1,263,000
Deferred income tax liability	(577,624)
	127,452,700
Goodwill acquired	173,921,258
Total net assets acquired	301,373,958

“Had the business combination occurred on January 1, 2019, management estimated that the revenue of the Company would have increased by approximately \$1,735,000 and the net loss of the Company would have increased by approximately \$20,700,000 for the period ended March 31, 2019. Emblem expenses include approximately \$13,100,000 in one-time, non-recurring expenses as a result of the acquisition of Emblem by the Company, including advisory fees and termination payments.”

Other than compensation, related party transactions included “consulting fees” of \$169,750.

Weighted average fully diluted shares at March 31, 2019 was 337,830,614. The fully diluted market capitalization is \$402M USD.

As of March 31, 2019, the Company has the following securities issued and outstanding:

	Outstanding
Common Stock	272,076,966
Warrants	47,939,042
Stock Options	17,814,606
Fully Diluted	337,830,614

The Company has entered into strategic genetic supply agreements with **CannTrust Inc.** through which the Company has received various strains of high-quality starter genetics for its licensed production facility in Port Perry, Ontario. Pursuant to the terms of these agreements, CannTrust has certain rights of first refusal to purchase product from Aleafia.

“On April 23, 2019- Aleafia Health Inc. has been added to the Advisor Shares Pure Cannabis ETF (NYSE: YOLO) which is listed on the New York Stock Exchange (NYSE). Aleafia Health welcomes the increased exposure to U.S. investors resulting from the addition to the trailblazing Pure Cannabis ETF. The addition will provide the new avenue of Aleafia Health and relentlessly focused on the execution of cannabis health and wellness platform.”

Conference call quotes:

"Niagara is unlike any greenhouse I've seen. The cultivation area is 26 acres or 1.1 million square feet. To put this in perspective, we currently have 22,000 square feet of licensed cultivation area. 22,000 square feet to over 1.1 million square feet. The outdoor site is 100% complete, we're ready to begin planting upon healthcare and approval." **Geoffrey Benic - CEO**

"We will be conservatively reaching 50,000 kilograms extraction capacity with the new build out expect to use the vast majority for this expansion for the extraction of cannabis grown on our own cultivation facilities." **Geoffrey Benic - CEO**

April 2, 2019 (\$1.42)

ALEAFIA HEALTH INC (OT: ALEAF)					
1.42 ▲0.01 (+0.48%)					
Trade Time: 04:15:37 PM 04/02/2019					
Change	0.01	52w Low Date	04/10/2018	Volume (10day Average)	721.9411
Bid		Volume (Total)	384570	Mov Avg 200	1.33
Ask		Market Capitalization	386173260	Profit Mrgn %	-167.51633
Low	1.39	Average Volume	599454	RevGrRate3yr	
High	1.42	Insider Owned %		Shares Outstanding	271953000
Open	1.40	Inst Owned %		Short Interest	608283
Close	1.42	Cash / Share	0.023	Short Int Ratio	1.07
52w High	3.62	Sales / Share	0.023934	Book Value	101.66
52w High Date	09/26/2018	12Mo %Tot Return	120.812	Dividend Yield	0.000
52w Low	0.37	Vol Avg 10D	748358	Div, Pay Date	
				RevGrRate1yr	88.388
				Industry	Healthcare Facilities
				LTD2CAP	
				Prev Close	1.41
				Price / BV	6.43609

There is such little information on this company, in terms of number of shares, guidance, operations (now that they merged with Emblem), that this is a wait and see, with the strategy of *“I hope the financials issued on or before April 30, 2019 provide a continued reason to own the company that Emblem merged with.”*

PRO FORMA SHARE CAPITAL

Aleafia's issued number of common shares as at September 30, 2018 has been adjusted to reflect the additional shares of Aleafia issued, resulting from the transactions described in Note 3.

	September 30, 2018
Issued and outstanding	141,805,743
Shares issued for acquisition of Emblem (Note 3b)	108,814,623
Shares issued as success fee paid to Mackie (Note 3c)	2,337,064
Share issued for Flying High Brands Inc. (Note 3h i)	6,000,000
Share issued in November 2018 (Note 3h iii)	5,000,000
Pro forma balance	263,957,430

I will include some dilution, and guesswork as to the number of shares, and use 300M. Hence, the market capitalization would be \$426M CAD. This comment is subject to great error.

Auditors are Manning Elliott LLP.

The Arrangement Agreement calls for Emblem shareholders to receive 0.8377 of an Aleafia common share in exchange for each Common Share held (the "Consideration"), representing a significant premium of 27% based on the closing prices of Aleafia's common shares ("Aleafia Shares") and the Common Shares on the TSXV on December 18, 2018.

On completion of the Transaction, Emblem shareholders will have meaningful ownership (of approximately 41% on a fully diluted in-the-money basis) in Aleafia with an opportunity to become a leader in Canadian medical cannabis with one of the largest cannabis clinic networks, well-positioned to capitalize on the enormous growth opportunities in the medical and adult-use markets in Canada and beyond.

The company alleges, *"the combined entity will create one of Canada's largest medical cannabis clinic network, holding a significant cash position providing deep resources for capital projects. The combination will provide growth opportunities via broader distribution channel and stronger networks. The combination will also provide an enhanced capital markets profile with a possible increase in trading liquidity and re-rating that reflects the increased size of the combined entity."*

On December 18, 2018, the last trading day on the TSXV prior to the announcement of the execution of the Arrangement Agreement, the closing price of the Common Shares on the TSXV was \$0.95.

Aleafia alleges the following:

1. Cultivation:

Aleafia owns two state-of-the-art cannabis cultivation facilities: The Port Perry Facility, which is licensed and fully operational under the ACMPR (now Cannabis Act) located at 2540 Regional Road 19 in Blackstock, Ontario; and the Niagara Facility, a 160,000 square foot greenhouse facility, which is not yet licensed, but which Aleafia anticipates will be fully operational in Q1 2019, subject to receipt of Health Canada approval.

Aleafia has commenced an expansion of its Port Perry Facility to enable an additional 60,000 kg of growing capacity. The expansion will be an industry-first, secure, low-cost outdoor cannabis grow operation.

Aleafia anticipates that it will reach annual production capacity of 98,000 kg of dried cannabis in 2019 as a result of the Port Perry Facility expansion and the acquisition of the Niagara Facility. With the recent legalization of recreational cannabis and Aleafia's entering the Serruya Joint Ventures, Aleafia is working toward becoming a diversified cannabis producer to supply both the medicinal and recreational cannabis markets. However, Aleafia has never sold cannabis directly to individuals, is not licensed to sell cannabis directly to individuals, and will not sell cannabis directly to individuals unless and until it receives the requisite licenses to do so.

2. Clinics:

Aleafia has a line of medical clinics and provides medical services and products to patients. They operate this under the CMC umbrella. CMC is the largest brick and mortar medical cannabis clinic network in Canada with twenty-two (22) locations and over 50,000 patient encounters.

3. Recreational Cannabis:

Aleafia has a joint venture with Serruya. They have a 9.9% equity stake, which cost \$4M.

Aleafia also acquired a 51% stake in Flying High for \$1M.

In the medium term, Aleafia intends to leverage its cultivation capacity to supply prospective One Plant retail locations and other provincial distributors with finished cannabis products, pending receipt of the relevant Health Canada approvals.

Aleafia also intends to leverage the international licensing rights to commercially proven brands under the Flying High License Agreement, and begin producing those brands within Aleafia's cultivation facilities.

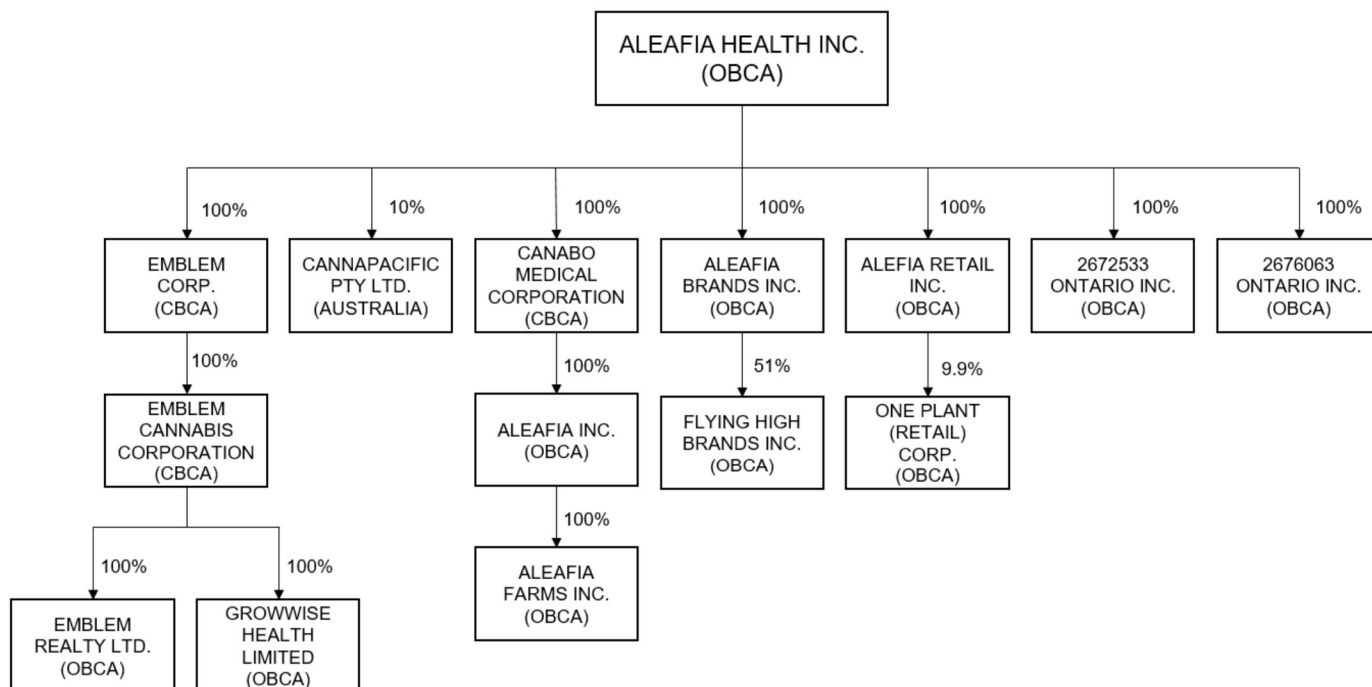
4. International Expansion:

On January 17, 2019, Aleafia acquired a 10% equity stake in CannaPacific, for what appears to be a nominal amount of AUS \$100. Aleafia will provide CannaPacific with technical expertise in cannabis cultivation, processing, distribution and medical clinic operations and will contribute USD \$150,000 in cash to cover working capital.

Further notes from Emblem's Proxy:

Aleafia owns the Port Perry Facility in Blackstock, Ontario. It is anticipated that the Port Perry Facility's annual dried cannabis production capacity will reach 61,000 kg. The Port Perry Facility houses indoor hydroponic cultivation equipment, allowing for the growing of medical grade cannabis. Aleafia made its first sale of cannabis from this facility in a transaction with CannTrust on September 10, 2018.

Aleafia's Niagara Facility is in Grimsby, Ontario. The Niagara Facility is not yet licensed by Health Canada however Aleafia anticipates receipt of its production license in Q1 2019. The Niagara Facility is a greenhouse which was previously used for the cultivation of fresh produce. The greenhouse will have a moving container bench system, allowing for a perpetual, year round harvest.



Following the successful completion of the Arrangement, Aleafia expects to have approximately 266,923,924 Aleafia Shares issued and outstanding. Existing Aleafia Shareholders and former Shareholders will own approximately 59% and 41%, respectively, of the outstanding Aleafia Shares.

**On March 18, 2019 Emblem merged into Aleafia Health Inc.
Emblem notes are below, and Aleafia notes start above.**

**Emblem
EMMBF
Investment Notes**
<http://emblemcorp.com/>

Please read Disclaimer at bottom of these notes!



“Emblem is a licensed producer of Medical Cannabis in Canada, led by a team of former Healthcare & Pharma Executives who have built & run multi-billion-dollar companies. Uniquely positioned

within the vastly growing medical and recreational cannabis industry, our targeted strategy flows across three distinct verticals of cannabis production, patient education, and pharmaceutical R&D.

Our brand-new Paris, Ontario facility was custom-designed and purpose-built specifically to cultivate and cure cannabis for medicinal use; and has a planned expansion to 17,000KG of annual production.” Emblem Corp. website May 2, 2018

All Amounts are in CAD unless mentioned otherwise!

November 20, 2018 (\$0.91) 3Q18 earnings released

USD market cap is \$173M USD (~190M * \$0.91). One could argue that share count includes out of the money options, warrants, and converts. If you eliminate those, the share count would go to ~150M, and hence a market cap of ~\$137M USD. This is a very generic, confusing, and possibly incorrect measure. I think for ease, I will use the reported fully diluted, whether anti-dilutive or not, share count of 190M.

“Generated record quarterly revenues of \$2.3 million.” This means little to me, as we are obviously looking for revenues of > \$67M in F2020.

“Among industry leading revenue per gram equivalent sold to patients of \$10.67 per gram.” Same as above, let’s see how things proceed as they begin to mature.

“Signed five-year supply agreement with Aphria Inc.” Aphria to supply Emblem with up to an aggregate of 175,000-kilogram equivalents of high-quality dried cannabis flower and crude cannabis oil at preferred wholesale pricing, starting in May 2019.

“Launched first adult-use cannabis brand, Syml.”

	September 30, At December 31,			
(Expressed in thousands of Canadian dollars)	2018		2017	
Financial Position:				
Cash and cash equivalents	\$	46,608	\$	37,746
Working Capital	\$	49,071	\$	37,791
Property, plant and equipment	\$	35,525	\$	29,911
Total assets	\$	125,263	\$	73,150
Total long-term liabilities	\$	24,568	\$	16,234

As at November 20, 2018, there were 123,606,221 common shares issued and outstanding, 6,785,001 stock options outstanding, 48,762,142 share purchase warrants outstanding and debentures convertible into 10,869,565 common shares, for a total of 190,022,929 common shares on a fully diluted basis.

Generic cash burn is about \$30M for 9 months ended September 30, 2018. (NI + Depn – Capex – unrealized changes in FV of biological assets).

September 17, 2018 (\$1.39) Review of 2Q18

As at August 22, 2018, there were 120,480,769 common shares issued and outstanding, 5,506,665 stock options outstanding, 52,137,043 share purchase warrants outstanding and debentures convertible into 10,869,565 common shares, for a total of 188,994,042 common shares on a fully diluted basis.

	At June 30,		At December 31,	
(Expressed in thousands of Canadian dollars)	2018		2017	
Financial Position:				
Cash and cash equivalents	\$	73,388	\$	37,746
Working Capital	\$	78,484	\$	37,791
Property, plant and equipment	\$	34,709	\$	29,911
Total assets	\$	118,124	\$	73,150
Total long-term liabilities	\$	24,057	\$	16,234

Valuation of \$262.7M USD.

Quarterly revenues of \$1.5M.

\$73M in cash.

Echelon uses projected revenues in F2018 of \$8.9M, F2019 of \$34.1 M, and F2020 of \$174.4M. Price to F2020 estimated revenues of \$174.4M X CAD current conversion rate of 0.77 is 1.95X. This could be considered fairly valued, especially if growth grows beyond that. Of course, as we have seen in many booms, forecasts not achieved.

PI Financial uses projected revenues in F2018 of \$7.6M, F2019 of \$28.2M, and F2020 of \$67.2M. Price to F2020 estimated revenues of \$67.2M X CAD current conversion rate of 0.77 is 5.08X. Oh boy, that is traditionally excessive for me.

June 26, 2018 (\$1.03) I increased our allocation by about double at \$1.03

I added shares to increase our allocation to 0.50% portfolio position. This took since June 19th, and we bought it at \$1.03. I suspect our ~105K share purchases were propping up the stock. We now hold 207,479 shares.

June 12, 2018 (\$1.13) Finished establishing a 0.25% portfolio position with a cost of \$1.13

It took us from June 1 through June 12, 2018 to purchase 102,542 shares at \$1.13 per share. This is a 0.25% portfolio position in accounts, with a minimum purchase of 450 shares. Generally, someone needed an account with > \$203,400 to purchase.

June 6, 2018 (\$1.15) CEO buys 30,000 shares (CDN)

Filing Date	Transaction Date	Insider Name	Ownership Type	Securities	Nature of transaction	Volume or Value	Price
Jun 6/18	Jun 6/18	Dean, Nicholas	Direct Ownership	Common Shares	10 - Acquisition in the public market	700	\$1.48
Jun 6/18	Jun 6/18	Dean, Nicholas	Direct Ownership	Common Shares	10 - Acquisition in the public market	15,000	\$1.49
Jun 6/18	Jun 4/18	Dean, Nicholas	Direct Ownership	Common Shares	10 - Acquisition in the public market	14,300	\$1.48

June 1, 2018 (\$1.14)

Shares outstanding as of May 29, 2018

Description	Number of shares
Common Shares issued and outstanding	110,831,663
Special shares issued and outstanding	9,252,439
Stock options outstanding	6,568,335
Share purchase warrants	52,147,042
Convertible debt	10,869,565
Total Fully Diluted Shares Outstanding as reported by Emblem	189,669,044
Less: Out of money warrants	(37,520,727)
Out of money options	(680,000)
Adjusted total shares	151,468,317

May 31, 2018 (\$1.16)

Revenue estimates from Echelon for F2018 of \$9.5M CAD, F2019 of \$57.1M CAD, and F2020 of \$98.5M CAD.

Revenue estimates from PI Financial for F2018 of \$8.2M CAD, F2019 of \$27.9M CAD, and F2020 of \$63.1M CAD.

May 31, 2018 (\$1.16) 1Q18 earnings recap – All amounts are in CAD except for valuation in USD.

USD market cap is \$220M (~190M * \$1.16). One could argue that share count includes out of the money options, warrants, and converts. If you eliminate those, the share count would go to ~129M, and hence a market cap of ~\$150M.

Cash has increased to \$84M from \$38M.

Inventory 3.625M. My concern on inventory is 2.84X 1Q18 revenues.

Very healthy balance sheet currently.

Shareholders' equity of \$93.2M CAD. Tangible equity is \$93.0M CAD.

Generic Cash (Drain) CAD:

	3 months ended 3/31/18	12 months ended December 31, 2017
Net Loss	(\$3,837)	(\$12,101)
Add: Amortization	383	\$1,082
Subtract: Unrealized gain on changes in fair value of biological assets	(779)	(\$2,969)
Capex	(2,503)	(\$19,163)
Cash Drain	(\$6,736)	(\$33,151)

When reviewing cash drain, one must realize this is an organization that is spending on a build-out. Of course; money well spent, if the build-out is successful.

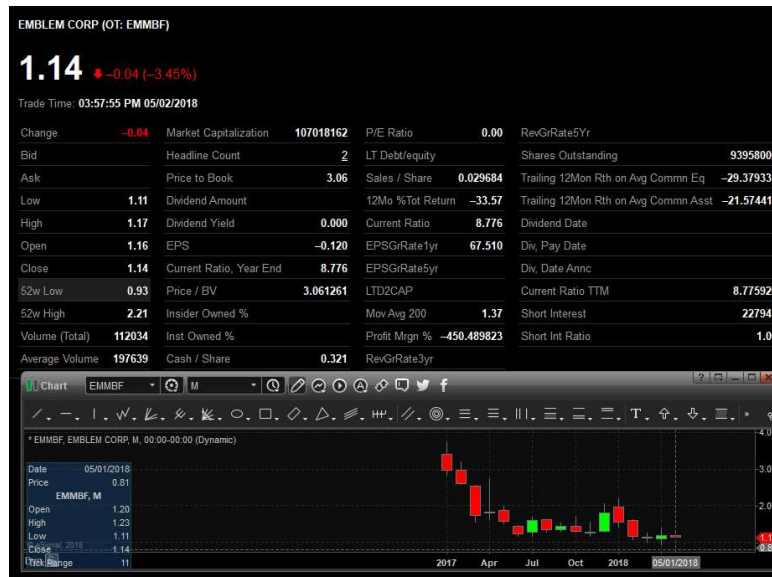
Shares outstanding as of May 29, 2018

Description	Number of shares
Common Shares issued and outstanding	110,831,663
Special shares issued and outstanding	9,252,439
Stock options outstanding	6,568,335
Share purchase warrants	52,147,042
Convertible debt	10,869,565
Total	189,669,044

May 3, 2018 (\$1.12)

At this point for me, based on the valuation, and my lack of understanding of their future revenues and projections, I will pass on entertaining this as an investment.

May 3, 2018 (\$1.14)



The graphic below is in \$CAD!

EMBLEM AT A GLANCE

TICKER SYMBOL	TSXV:EMC
FOUNDED	2013
RECENT SHARE PRICE (APRIL 13, 2018)	C\$1.54
SHARES ISSUED & OUTSTANDING (BASIC) ¹	119,060,512
MARKET CAPITALIZATION (BASIC) ¹	C\$183 MILLION
SHARES ISSUED & OUTSTANDING (DILUTED) ¹	187,239,416
CURRENT PATIENT COUNT	~3,100
PRODUCTION FACILITY	PARIS, ONTARIO (~65 EMPLOYEES)
CURRENT PRODUCTION CAPACITY	~2,000 KG
Q1 2019 PRODUCTION CAPACITY TARGET	~17,000 KG
TOTAL CASH POSITION	~\$85 MILLION
CASH PROCEEDS (FROM ALL OUTSTANDING WARRANTS AND OPTIONS) ¹	~\$107 MILLION
INSIDER OWNERSHIP (BASIC) ¹	~20%

¹As of April 13, 2018

Market cap is \$215.5M, using 189M shares outstanding and share price of \$1.14.

\$2.7M CAD in revenues. Inventory is greater than annual revenues.

Review of year-end December 2017 Financials and MD&A:

Ernst and Young is the auditor. They issued an unqualified opinion.

Cash is \$37.75M CAD.

Inventory of \$2.9M CAD. This is greater than F2017 revenues. Yet, perhaps that will sell through in next quarter or two, of course with additional inventory. Yet, on the face doesn't look too concerning, if at all.

Shareholders' equity of \$52M CAD. Tangible equity is \$51.9M CAD.

Generic Cash (Drain) CAD:

	December 31, 2017
Net Loss	(\$12,101)
Add: Amortization	\$1,082
Subtract: Unrealized gain on changes in fair value of biological assets	(\$2,969)
Capex	(\$19,163)
Cash Drain	(\$33,151)

When reviewing cash drain, one must realize this is an organization that is spending on a build-out. Of course; money well spent, if the build-out is successful.

Cash flows from financing activities

Proceeds from private placements and other financings, net of issuance costs	13	27,030	31,810
Proceeds from issuance of Convertible Debt, net of issuance costs	12	13,686	-
Proceeds from issuance of promissory note	12	-	5,500
Repayment of mortgages		-	(5,050)
Proceeds on options and warrants exercised	13	2,038	12
Net cash generated from financing activities		42,754	32,272

8. INVENTORIES

As at December 31,	2017	2016
Dry Cannabis		
Work-in-progress	\$ 2,222	\$ 78
Finished goods	536	577
	2,758	655
Seeds	26	27
Packaging and supplies	113	66
	\$ 2,897	\$ 748

9. BIOLOGICAL ASSETS

The changes in the carrying value of biological assets, which consist of cannabis on plants, are as follows:

As at December 31,	2017	2016
Balance at beginning of the year	\$ 124	\$ 9
Net increase in fair value less cost to sell due to biological transformation	2,969	806
Transferred to inventory upon harvest	(2,442)	(691)
Balance at end of the year	\$ 651	\$ 124

The Company estimates the harvest yields for medical cannabis at various stages of growth. As at December 31, 2017, it is expected that the Company's biological assets will yield approximately 216,000 grams. Using a per gram price of \$6.50 CAD, the revenues would be \$1.4M CAD.

"During the year, the Company purchased two contiguous parcels of land near the Company's current facilities in Paris, Ontario. The Company's current plan includes breaking ground in the second quarter of 2018 to build a state-of-the-art 170,000 square foot facility, with 135,000 square feet of production space and 35,000 square feet of infrastructure space. Once operating at an optimal level, the Company expects the production facility to provide up to an additional 15,000 kilograms of annual production capacity."

"The Company commissioned three grow rooms as part of Phase 2 (as discussed and defined below), providing an additional 5,200 square feet of grow space. The first crops were immediately planted in all three grow rooms and harvested in December 2017. The fourth grow room is expected to be equipped and operational by the fourth quarter of 2018."

"In November 2017, the Company closed a short form prospectus offering whereby the Company issued 7,885,734 units at a price per unit of \$1.75 for gross proceeds of \$13,800,000 and 15,000 convertible unsecured debentures of the Company (the "Convertible Debt") at a price per convertible debenture of \$1,000 for gross proceeds of \$15,000,000."

Revenues during the first quarter of 2018 amounted to approximately \$1.2 million, including sales of \$0.4 million to other Licensed Producers, marking the highest revenue per quarter ever recorded in Company history.

Invested in Fire & Flower Inc. and entered into 3-Year Supplier Agreement. The Company also announced that it had purchased \$2.5 million units of Fire & Flower at a price of \$0.80 per unit. Each unit consists of one common share and one common share purchase warrant with an exercise price of \$1.05 per common share purchase warrant until April 18, 2020.

On February 2, 2018, the Company completed a private placement for the issuance of 14,024,391 units at \$2.05 per unit for gross proceeds of \$28,750,000. Concurrent with the private placement, the Company issued convertible debentures sold at a price of \$1,000 per convertible debenture for gross proceeds of \$25,000,000.

Emblem's current intention is to enter the adult recreational market with a focused offering of about 6 strains of tetrahydrocannabinol (THC) (indica dominant, sativa dominant and hybrid) premium quality dried flower produced out of its Woodslee Production Facility. The Paris Road Expansion will provide up to 15,000 kilograms of product on an annual basis to be sold as dried flower, extracted for use in concentrates and edibles for the adult-use recreation market, or use as an active ingredient for its pharmaceutical production.

(Expressed in thousands of Canadian dollars)

At December 31, 2017 At December 31, 2016 At December 31, 2015

Financial Position:

Cash and cash equivalents	\$	37,746	\$	26,203	\$	1,237
Working Capital	\$	37,791	\$	24,794	\$	(7,931)
Property, plant and equipment	\$	29,911	\$	9,484	\$	8,461
Total assets	\$	73,150	\$	37,897	\$	10,427
Total long-term liabilities	\$	16,234	\$	5,335	\$	3,808

Disclaimer

If you are a client of ours and if you have questions regarding the company or investment mentioned in this report, please call our office. If you are not a client of Redfield, Blonsky & Starinsky LLC Investment Management Division and are reading these notes, we urge you to do your own research. We will not be responsible for any person making an investment decision based on these notes. These notes are a "by-product" of our research. We are not responsible for the accuracy of these notes. We are not responsible for errors that may occur in these notes. Please do not rely on us to monitor or update this or any other report we may issue. In theory, we could come across some type of data or idea, which causes us to eliminate our long or short position of the company or investment mentioned in this report from our portfolios. We will not notify reader's revisions to these notes. We are not responsible to keep readers of these notes updated for changes or material errors or for any reason whatsoever. We manage portfolios for clients, and those clients are our greatest concern as it relates to investing. Certain clients of Redfield, Blonsky & Starinsky LLC may not have the company or investment mentioned in this report in their portfolios. There could be various reasons for this. Again, if you would like to discuss the company or investment mentioned in this report, please contact Ronald R. Redfield, CPA, PFS (partner in charge of investment management division).

Information herein is believed to be reliable, but its accuracy and completeness cannot be guaranteed. Opinions, estimates, and projections constitute our judgment and are subject to change without notice. This publication is provided to you for information purposes only and is not intended as an offer or solicitation. Redfield, Blonsky & Starinsky. LLC and Ronald R Redfield, CPA, PFS, may hold a position or act as an advisor on any investments mentioned in a report or discussion.