Delta 9 Cannabis Inc.

Management's Discussion and Analysis

(For the three-month and six-month period ending June 30, 2022)

Table of Contents

Introduction:

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Delta 9 Cannabis Inc. (the "Company") is for the three-month and six-month period ending June 30, 2022, and is prepared as of August 15, 2022. It is supplemental to, and should be read in conjunction with, the Company's consolidated financial statements for the three-month and six-month period ending June 30, 2022. References herein to the "Company" include reference to the subsidiaries of the Company, as applicable.

This MD&A provides information that management of the Company believes is important to assess and understand the results of operations and financial condition of the Company. Our objective is to present readers with a view of the Company from management's perspective by interpreting the material trends and activities that affect the operating results, liquidity and financial position of the Company. All monetary amounts herein are expressed in Canadian dollars unless otherwise specified.

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information relating to the Company, including the Company's annual information form, can be found on the Company's profile on SEDAR at www.sedar.com.

Notice Concerning Forward-Looking Statements:

This MD&A contains forward-looking statements. All statements other than statements of historical fact contained in this MD&A are forward-looking statements. Prospective investors can identify many of these statements by looking for words such as "believes", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic, health and competitive uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward-looking statements which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. A number of factors could cause actual future results, performance, achievements and developments of the Company and/or its subsidiaries to differ materially from anticipated results, performance, achievements and developments expressed or implied by such forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A or such other date specified in such statement. Except as required by law, the Company disclaims any obligation to update any forward-looking information, estimates, opinions, future events, results or otherwise.

Company Overview:

The Company is a vertically integrated cannabis company, with operations in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business to business ("B2B") activities. The Company, through its wholly-owned subsidiary, Delta 9 Bio-Tech Inc. ("Delta 9 Bio-Tech"), is a licensed producer of cannabis pursuant to the *Cannabis Act* (Canada) and operates an 80,000 square foot production facility, located at 760 and 770 Pandora Avenue East in Winnipeg, Manitoba, Canada (the "Delta Facility"). Delta 9 Bio-Tech holds a license from Health Canada (the "Health Canada License") to produce and sell cannabis and cannabis oil, extracts and derivative products. The Health Canada License is valid for a three-year term ending August 30, 2022.

On October 31, 2017, the Company under its former name "SVT Capital Corp." completed a reverse takeover transaction pursuant to which it acquired all of the issued and outstanding shares of Delta 9 Bio-Tech by way of a three-cornered amalgamation pursuant to an amalgamation agreement (the "Amalgamation Agreement") among the Company, Delta 9 Bio-Tech, and a wholly-owned subsidiary of the Company ("Newco"). In connection with the closing of this transaction, the Company changed its name from "SVT Capital Corp." to "Delta 9 Cannabis Inc.". Pursuant to the Amalgamation Agreement, Delta 9 Bio-Tech amalgamated with Newco under the provisions of the *Canada Business Corporations Act*, with the amalgamated company continuing as a wholly-owned subsidiary of the Company under the name "Delta 9 Bio-Tech Inc.".

The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

The Company's common shares ("Common Shares") trade on the Toronto Stock Exchange (the "TSX") under the trading symbol "DN" and on the OTCQX under the trading symbol "DLTNF".

The address of the registered office of the Company is Suite 2600, 1066 West Hastings Street, Vancouver, British Columbia V6E 3X1.

Delta 9 Bio-Tech partially owns one operating subsidiary, Delta 9 Lifestyle Cannabis Clinic Inc. ("Delta 9 Lifestyle"). Delta 9 Lifestyle was incorporated under *The Corporations Act* (Manitoba) on February 9, 2017. Delta 9 Bio-Tech owns 68.78% of the issued and outstanding shares of Delta 9 Lifestyle. The remaining 31.22% of the issued and outstanding shares of Delta 9 Lifestyle are owned by 7217804 Manitoba Ltd. ("7217804"), an arm's length third party.

Delta 9 Lifestyle operates a chain of retail cannabis stores in Manitoba, operating under the trade name "Delta 9 Cannabis Store", offering cannabis flower, cannabis oils, cannabis pre-rolls, cannabis derivative products, and cannabis accessories to adult recreational consumers. As of June 30, 2022, Delta 9 Lifestyle operated ten cannabis retail stores in Winnipeg (Manitoba), one cannabis retail store in Brandon (Manitoba), one cannabis retail store in Selkirk (Manitoba), and one cannabis retail store in Thompson (Manitoba) with plans to open up to an additional two retail outlet stores in Manitoba over the next 12 months. Delta 9 Lifestyle also operates a medical clinic, which markets the "Delta 9" brand to patients and provides physician consultation services to patients seeking a medical recommendation to use cannabis for medical purposes.

In addition to Delta 9 Bio-Tech (and its partially-owned subsidiary, Delta 9 Lifestyle), the Company owns and operates two other material active subsidiaries, Delta 9 Cannabis Store Inc. ("Delta 9 Cannabis Store") and Delta 9 Logistics Inc. ("Delta 9 Logistics").

The Company owns and operates Delta 9 Cannabis Store, which was incorporated under the *Canada Business Corporations Act* on May 6, 2019. The Company owns 100% of the issued and outstanding shares of Delta 9 Cannabis Store. As of June 30, 2022, Delta 9 Cannabis Store operated one cannabis retail store in Calgary (Alberta), nineteen retail cannabis stores in Edmonton (Alberta), one retail cannabis store in Grand Prairie (Alberta), and one retail cannabis store in Lloydminster (Saskatchewan) under the three trade names "Delta 9 Cannabis Store", "Discounted Cannabis" and "Uncle Sam's Cannabis". For more details with respect to the activities of Delta 9 Cannabis Store, see "Overall Performance - Vertical Integration and Retail Cannabis Sales".

The Company has one non-active subsidiary, 10007705 Manitoba Ltd. ("10007705") which is not engaged in active business operations. For information with respect to 10007705 and Delta 9 Logistics, see "Description of the Business" in the Company's annual information form located on the Company's profile on SEDAR at www.sedar.com.

Overall Performance:

Cannabis Cultivation, Processing, and Facility Expansion

The Company's principal cannabis cultivation and processing activities are focused on the Delta Facility. The primary purpose of the Delta Facility is to cultivate, process and manufacture high-quality cannabis products.

The Company's proprietary cannabis production methodology is based around a modular, scalable, and stackable production unit called a grow pod (a "Grow Pod"). The Company builds its Grow Pods by retrofitting standard, once-used, 40 foot high-cube shipping containers into Grow Pods. The Grow Pods are built to comply with Health Canada security requirements and good production practices. The Grow Pods create optimal conditions for large scale production of cannabis. Grow Pods can also be stacked on top of each other to use the production space available to the Company most efficiently. The Company retrofits shipping containers into Grow Pods at the Delta Facility, employing the Company's own employees as well as independent contractors.

Management believes that Grow Pods provide numerous benefits versus traditional open warehouse or green house cannabis production operations, namely:

- A higher level of control over the growing environment contributing to higher quality cannabis products;
- The ability to customize the growing environment for each genetic strain of cannabis, maximizing the quality and output of these strains;
- The Grow Pods are relatively inexpensive and provide an attractive return on invested capital;
- The modular format minimizes the risk of contamination or spread of contamination from plant diseases or pests; and
- The modular format minimizes the risk of materially significant crop loss.

As of the date of this MD&A, The Company has 297 Grow Pods fully licensed and approved by Health Canada in service, consisting of 262 Grow Pods used for the production of cannabis and 35 Grow Pods used for non-production plants, plant harvesting, processing and packaging activities or laboratory and testing activities. The Company estimates that the current licensed Grow Pods have an annual production capacity of approximately 8,325 kilograms of dried cannabis per year. For the past three quarters the Company has been operating at or above the design capacity of the Delta Facility, which would make the annual production capacity in excess of 10,000 kilograms of dried cannabis per year.

Delta Facility

On August 6, 2021, Health Canada approved two expansions to the Health Canada License. The approvals allow for: (i) an expansion of the licensed perimeter of the Delta Facility from 80,000 square feet to approximately 95,000 square feet; and (ii) the licensing of a new 7,500 square foot purpose-built storage and distribution area. The expanded licensed perimeter has allowed the Company to improve control systems within its licensed perimeter, improve the flow of its operations, and to position the Company to better plan for future expansions of the Company's licensed cannabis operations areas. The new purpose-built storage and distribution area has allowed the Company to improve its product packaging, case-packing, and distribution efficiency to better allow it to cater to its provincial distribution markets across Canada.

Agreement with Oceanic Releaf Inc.

On June 15, 2020, the Company entered into a definitive agreement with Oceanic Releaf Inc. ("Oceanic"), a vertically integrated Newfoundland and Labrador based cannabis company, and Ms. Taylor Giovannini, to provide Oceanic with certain consulting and training services in exchange for the acquisition of a five (5%) per cent interest in common shares of Oceanic. On December 15, 2020, the Company announced that Oceanic opened its first retail cannabis store located in Burin Bay Arm, Newfoundland. On February 9, 2021, the Company announced that Oceanic had been granted its cannabis cultivation licence from Health Canada for standard cannabis and processing operations. On June 1, 2021, the Company announced that Oceanic had been granted five new cannabis retail store licenses by the Province of Newfoundland and Labrador.

For more details with respect to the supply agreement between the Company, Oceanic and Newfoundland and Labrador, see "Overall Performance - Newfoundland and Labrador Supply Agreement".

Partnership with Emterra Environmental

On December 14, 2020, the Company announced that it partnered with Emterra Environmental, one of Canada's leading recycling companies, and a number of leading cannabis producers, to create a sustainable recycling platform for cannabis packaging and disposable vape pens and a landfill diversion program for vape cartridges.

Portfolio of Cannabis Products

Dried Cannabis Flower

The Company currently produces approximately 30 different genetic strains of cannabis, each with its own unique chemical cannabinoid content, terpene and flavonoid profiles, with another 100 strains being stored on site in a seed bank to provide for product options in the future. All cannabis production by the Company occurs at the Delta Facility. Management believes that the Company has one of the largest in-house stocks of unique genetic cannabis strains among cannabis producers in Canada. The Company currently produces, processes and dries these genetic cannabis strains into whole flower cannabis products. "Whole flower" cannabis refers to the unaltered flower of the female cannabis plant that appears in "bud" form. No undesirable components such as stalks, stems and leaves are included in whole flower cannabis. Whole flower dried cannabis currently accounts for approximately 70% of the Company's overall product offering.

Pre-Rolls

The Company sells pre-rolled cannabis products which consist of blended cannabis flower, rolled in a "joint", for sale in the recreational cannabis market. The Company has seen a significant consumer response to cannabis pre-rolls given the convenience of purchasing a "ready to consume" product format. The Company's pre-rolled products currently account for approximately 15% of its overall product offering.

Oils, Extracts, Derivative, and Other Products

The Company, through its wholly-owned subsidiary Delta 9 Bio-Tech, is currently licensed by Health Canada to produce and sell cannabis oils, extracts, and derivative products. It is management's belief that these products will become an increasingly important component of the medical and recreational use cannabis markets in the future. The Company's oil, extracts and derivative products currently account for approximately 15% of its overall product offering.

Medical Cannabis Market and Distribution

The Company derives a small portion of its revenues from the sale of medical cannabis products directly to patients who have received a medical document from their health care practitioner. Management hopes that its recent introduction of oils and extract products into the Company's product offering will result in expanded revenue streams and provide a stronger value proposition for medical clients.

As the Company's sales of recreational cannabis have grown since the legalization of recreational cannabis in 2018, sales of cannabis to medical patients have declined. Sales of medical cannabis now represent less than 1% of the Company's annual revenue.

Recreational Cannabis Market and Distribution

All provincial and territorial governments have implemented legislation in their respective jurisdictions legalizing and regulating recreational use cannabis.

Management believes that the domestic market for recreational use cannabis presents a major growth opportunity for the Company over the next several years. Wholesale revenues from the sale of recreational use cannabis products are expected to make up a large component of the Company's overall business. The Company's distribution strategy will be to enter a target market and achieve market penetration, targeting material market share, as consumers adopt "Delta 9" branded products. In order to achieve growth in this market, management has entered into a number of significant supply agreements as described below.

Manitoba Supply Agreement

On June 27, 2018, the Company entered into a supply agreement (the "Manitoba Supply Agreement") with the Manitoba Liquor & Lotteries Corporation (the "MLLC") to make available, for sale to the Province of Manitoba, a minimum of 2,300,000 grams of recreational dried cannabis products over the one-year term of the agreement. Under the Manitoba Supply Agreement, MLLC supplied Manitoba retailers with a range of the Company's products, ranging from the Company's lower-end "House Blend" to a selection of the Company's premium cannabis products. The Company delivered its first wholesale shipment of recreational cannabis products to the MLLC in September 2018. The Manitoba Supply Agreement expired on June 28, 2019. As of the date hereof, the Company and the MLLC are in the process of negotiating a renewed agreement to replace the Manitoba Supply Agreement. The Company is continuing to supply the MLLC with dried cannabis for sale in Manitoba while a new agreement is being negotiated.

Authorization for Cannabis Sales in Saskatchewan

On February 26, 2019, the Saskatchewan Liquor and Gaming Authority (the "SLGA") authorized the Company to supply cannabis directly to Saskatchewan's retail and wholesale markets. The Company completed its first shipment to retailers in Saskatchewan in the first quarter of 2019.

Authorization for Cannabis Sales in Alberta

On May 22, 2019, the Company received authorization from the Alberta Gaming, Liquor & Cannabis (the "AGLC") to supply cannabis to AGLC for retail sales in the Province of Alberta. The Company made its first shipment of cannabis to AGLC in the second quarter of 2019.

Authorization for Cannabis Sales in British Columbia

On October 3, 2019, the Company announced that it had received authorization from the British Columbia Liquor Distribution Branch (the "BCLDB") for the retail sale and supply of recreational use cannabis in the Province of British Columbia. The Company delivered its first wholesale shipment of recreational cannabis products to the BCLDB in the fourth quarter of 2019.

Newfoundland and Labrador Supply Agreement

On June 15, 2020, the Company announced that it entered into an agreement with the Province of Newfoundland and Labrador, the Newfoundland and Labrador Liquor Corporation (the "NLC") and Oceanic, pursuant to which the Company will supply cannabis and cannabis-related products in Newfoundland and Labrador. The Company completed its first wholesale shipment of recreational cannabis products in the Province in the third quarter of 2020.

Ontario Supply Agreement

On June 23, 2020, the Company announced that it entered into a master cannabis supply agreement (the "Ontario Supply Agreement") with the Ontario Cannabis Retail Corporation, that is doing business under the name "Ontario Cannabis Store" (the "OCS"), pursuant to which the Company will supply cannabis products and accessories to the OCS for sale in retail cannabis stores and online sales of recreational cannabis products and accessories to customers in Ontario. Concurrent with entering the Ontario Supply Agreement, the Company also entered into a data subscription agreement with the OCS, under which the OCS will supply point-of-sale data pertaining to the Company's retail product sales. The Company completed its first wholesale shipment of recreational cannabis products in Ontario in the third quarter of 2020.

Manitoba Distribution Agreement

On April 14, 2022, the Company announced that the Company, through its subsidiary, Delta 9 Logistics, and the MLLC entered into a limited cannabis distribution agreement (the "Manitoba Distribution Agreement") pursuant to which, subject to certain conditions, Delta 9 Logistics has been granted the authority to distribute cannabis in Manitoba on the terms set out in the Manitoba Distribution Agreement. The commencement of the Manitoba Distribution Agreement remains subject to the receipt of a distribution license from the Liquor, Gaming and Cannabis Authority of Manitoba ("LGCA"). Under the Manitoba Distribution Agreement, the Company intends to work with authorized cannabis suppliers to provide cross-docking and distribution services, fulfilling delivery of orders to licensed cannabis retailers within the province of Manitoba. The Company's cross-docking and distribution services are expected to allow out-of-province suppliers to improve logistics efficiencies and reduce shipping costs into the Manitoba market and is expected to provide the Company with additional diversified revenue streams.

Future Supply Agreements

As the Company increases its cannabis production capacity, subject to approval, it plans to expand its distribution into additional provincial markets through supply listings or formal supply agreements in those markets.

Vertical Integration and Retail Cannabis Sales

Certain provincial markets across Canada have allowed for licensed retail sale of cannabis products by private retailers. Management believes that there are a number of benefits to pursuing a vertical integration strategy into retail sales including:

- Control over a direct to consumer sales force and product distribution;
- Control over direct to consumer branding and marketing initiatives;
- Capturing additional revenues and gross margin from retail sales; and
- Direct feedback from consumers regarding product trends, marketing strategies, etc.

Management intends to build a network of dozens of "Delta 9 Cannabis Store" branded or alternative branded retail stores over the coming years in markets which allow for private retail sales.

The Company's Manitoba retail licence is held by 10007705. For information with respect to 10007705 and the Company's Manitoba retail license, see "Description of the Business" in the Company's Annual Information Form located on the Company's profile on SEDAR at www.sedar.com.

Opening of Thirty-Fifth Retail Cannabis Store

On April 20, 2022, the Company announced the opening of its thirty-fifth retail cannabis store. The new store is located at 3421 Portage Ave, Winnipeg, Manitoba and is part of the Crestview Mall in the heart of the busiest shopping district in Winnipeg West.

As of June 30, 2022, the Company, through its partially-owned subsidiary, Delta 9 Lifestyle and its wholly-owned subsidiary Delta 9 Cannabis Store, operated the following portfolio of 18 retail cannabis stores under the "Delta 9 Cannabis Store" brand:

#	Store Name	Operating Subsidiary	Address	Opening Date	Location Partners/ Description
1	Dakota	Delta 9 Lifestyle	Unit 1 – 827 Dakota Street, Winnipeg, Manitoba	October 17, 2018	Liquor Mart, Shoppers Drug Mart, Booster Juice, Tim Hortons, and St. Vital Shopping Centre
2	River	Delta 9 Lifestyle	478 River Avenue, Winnipeg, Manitoba	March 21, 2019	Safeway, Liquor Mart, Za Pizza, and Shoppers Drug Mart
3	Brandon	Delta 9 Lifestyle	1570 18th Street, Brandon, Manitoba	April 2, 2019	Brandon Shoppers Mall, Shoppers Drug Mart, Sobeys, Dollarama, Sport Chek, and Landmark Cinemas

4	Thompson	Delta 9 Lifestyle	300 Mystery Lake Road, Thompson, Manitoba	September 27, 2019	Walmart Supercentre, Safeway, TD Bank, Liquor Mart, and Great Canadian Dollar Store
5	Calgary	Delta 9 Cannabis Store	Unit 210 – 777 8 Avenue SW, Calgary, Alberta	June 10, 2020	Located in downtown Calgary, in an office tower, food court, and Plus 15
6	Grand Prairie	Delta 9 Cannabis Store	106 – 10126 120 Avenue, Grande Prairie, Alberta	June 20, 2020	Located in the north end in a business centre, dental clinic, and Blue Cross
7	Kenaston	Delta 9 Lifestyle	1589 Kenaston Boulevard, Winnipeg, Manitoba	September 8, 2020	Dollarama, Walmart, Home Depot, Safeway, Home Sense, and Tim Hortons
8	Lloydminster	Delta 9 Cannabis Store	Unit 7 – 3427 50 Avenue, Lloydminster, Saskatchewan	November 9, 2020	7-Eleven, car wash, garden center, takeout restaurants and auto supply
9	Kildonan	Delta 9 Lifestyle	655 – 1615 Regent Avenue West, Winnipeg, Manitoba	December 22, 2020	Walmart, Home Depot, Costco, Superstore, Rona, Canadian Tire, Princess Auto, Goodlife Fitness, Sobey's, and Kildonan Place Shopping Centre
10	Kirkfield	Delta 9 Lifestyle	3321 Portage Avenue, Winnipeg, Manitoba	February 5, 2021	Walmart Supercenter, Canadian Tire, Princess Auto, Winners, Staples, Shoppers Drug Mart, and Sobeys
11	Bunns Creek	Delta 9 Lifestyle	2001 Henderson Highway, Winnipeg, Manitoba	March 18, 2021	Liquor Mart, Sobeys, Shoppers Drug Mart, and Dollarama
12	Northgate	Delta 9 Lifestyle	1399 McPhillips Street, Winnipeg, Manitoba	April 15, 2021	McPhillips Casino, Save-on-Foods, Walmart Super Centre, Canadian Tire, Real Canadian Super Store and Garden City Mall
13	Selkirk	Delta 9 Lifestyle	379 Main Street, Selkirk, Manitoba	August 26, 2021	Shoppers Drug Mart, CIBC, Liquor Mart, Walmart Super Centre, Dollarama, Staples, Sport Chek and Home Hardware
14	Beverly	Delta 9 Cannabis Store	4512 118 Avenue NW, Edmonton, Alberta	September 1, 2021	A&W, Shoppers Drug Mart, bakery, and restaurants
15	Kensington	Delta 9 Cannabis Store	12620 132 Avenue NW, Edmonton, Alberta	September 2, 2021	Giant Tiger, Shell, Kensington Centre Shopping Mall, and Real Canadian Superstore
16	Pembina	Delta 9 Lifestyle	2081 Pembina Highway, Winnipeg, Manitoba	September 23, 2021	Shoppers Drug Mart, Home Depot, Walmart Supercentre, Canadian Tire, Dollarama, and Real Canadian Superstore
17	St. James	Delta 9 Lifestyle	1719 Portage Ave, Winnipeg, Manitoba	March 1, 2022	The St. James Hotel and Beer Vendor, Polo Park Shopping Center

18	Crestview	Delta 9 Lifestyle	3421 Portage Ave, Winnipeg, Manitoba	April 20, 2022	Dollarama, Salvation Army Thrift Store, Liquor Mart, Safeway

On March 30, 2022, the Company closed a transaction with Uncle Sam's Cannabis Ltd. ("Uncle Sam") and Wissam El Annan to acquire all, or substantially all, of Uncle Sam's assets relating to the operation of seventeen retail cannabis stores in Alberta (the "Uncle Sam Transaction"). The acquisition was completed through Delta 9 Cannabis Store pursuant to an asset purchase agreement between Delta 9 Cannabis Store, Uncle Sam and Wissam El Annan dated November 1, 2021, as amended by the first amending agreement dated December 20, 2021, the second amending agreement dated February 16, 2022 and the third amending agreement dated March 22, 2022. The purchase price paid by Delta 9 Cannabis Store relating to the Uncle Sam Transaction was $12,500,000, subject to customary adjustments. $50,000 of the purchase price was satisfied by a cash deposit. The $12,450,000 balance of the purchase price was satisfied in cash on closing. Uncle Sam also received 6,666,667 Common Shares at a deemed price of $0.275 per Common Share, representing the 10-day volume weighted average price of the Common Shares on the TSX. Upon determination of the final inventory, the amount of the inventory will also become payable.

As of June 30, 2022, the Company, through its wholly-owned subsidiary Delta 9 Cannabis Store, operated the following portfolio of 17 retail cannabis stores under the "Discounted Cannabis" and "Uncle Sam's Cannabis" brands:

#	Store Name	Operating Brand	Address
1	Sherwood Park	Uncle Sam's Cannabis	301 101 Granada Boulevard, Sherwood Park, Edmonton, Alberta T8A 4W2
2	Fort Road	Uncle Sam's Cannabis	13572 Fort Road NW, Edmonton, Alberta T5A 1C5
3	Morinville	Uncle Sam's Cannabis	1-10219 100 Avenue, Morinville, Edmonton, Alberta T8R 1P9
4	Calgary Trail	Uncle Sam's Cannabis	10404 68 Avenue NW, Edmonton, Alberta T6H 2A9
5	St. Albert	Uncle Sam's Cannabis	106 506 St. Albert Trail, St. Albert, Alberta T8N 5Z1
6	50th Street NW	Uncle Sam's Cannabis	12751 50 Street NW, Edmonton, Alberta T5A 4L8
7	97th Street	Uncle Sam's Cannabis	12950 97 Street NW, Edmonton, Alberta T8A 4W2
8	Castle Downs	Uncle Sam's Cannabis	13712 Castle Downs Road, Edmonton, Alberta T5X 4H7
9	Beaumont	Discounted Cannabis	101-5003 30 Avenue, Beaumont, Alberta T4X 1T9
10	Morinville	Discounted Cannabis	9507 100 Street, Morinville, Alberta T8R 1R2
11	50th Street	Discounted Cannabis	12988 50 Street NW, Edmonton, Alberta T5A 4L2
12	82nd Street	Discounted Cannabis	12916 82 Street NW, Edmonton, Alberta T5E 2T2
13	118th Avenue	Discounted Cannabis	13210 118 Avenue NW, Edmonton, Alberta T5L 4N4 (Circle Square)

14	127th Street	Discounted Cannabis	14147 127 Street NW, Edmonton, Alberta T6V 1E7
15	Stony Plain	Discounted Cannabis	105-4600 48 Street, Stony Plain, Alberta T7Z 1L4
16	Manning Crossing	Discounted Cannabis	106-2-256 Manning Crossing NW Unit A, Edmonton, Alberta T5A 5A1
17	90th Avenue	Uncle Sam's Cannabis	17042 90 Avenue, Edmonton, Alberta T5T 1L6

The Company has seen success over the period in its vertical integration strategy in leveraging sales of its own branded products through its owned retail network. As the Company continues to expand its retail network, the Company expects to increase sales of its own branded products by leveraging its vertical integration strategy.

Management is actively pursuing retail expansion opportunities in all Canadian provinces which allow for privatized retail cannabis sales and will continue to expand on its vertical integration into the retail segment.

Business to Business Opportunities

The Company derives a portion of its overall revenues from sales of Grow Pods, and from licensing and consulting activities provided to other licensed and pre-licensed cannabis companies. Management believes that these opportunities provide the Company with a number of benefits including:

- Complementary business verticals which produce diversified and high margin revenue streams;
- Third party validation of the Company's proprietary Grow Pod platform;
- Valuable partnerships with other pre-licensed and licensed cannabis companies; and
- Opportunity for international expansion and non-cannabis revenue streams.

Management will continue to pursue and expand on these B2B revenue opportunities over the coming year.

Financing Highlights

Normal Course Issuer Bid

On November 3, 2021, the Company announced that the TSX had approved the renewal of the Company's normal course issuer bid (the "NCIB"). Under the NCIB, the Company can purchase up to an aggregate of 6,827,032 Common Shares and up to an aggregate of $1,180,000 principal amount of 8.5% unsecured convertible debentures of the Company (the "Convertible Debentures"). Purchases of Common Shares and Convertible Debentures pursuant to the NCIB may be made through the facilities of the TSX and alternative Canadian trading systems from November 5, 2021 and to November 4, 2022, or an earlier date in the event that the Company purchases the maximum number of the Common Shares and Convertible Debentures available under the NCIB. The Company will pay the market price at the time of acquisition for any Common Shares and Convertible Debentures purchased through the facilities of the TSX. All Common Shares and Convertible Debentures acquired directly by the Company under the NCIB will be cancelled. The Company sought approval of the NCIB because it believes that, from time to time, the market price of the Common Shares and Convertible Debentures may not fully reflect the value of the Common Shares and Convertible Debentures. The Company believes that, in such circumstances, the purchase of Common Shares and Convertible Debentures represents an accretive use of capital.

Connect First Financing

On March 30, 2022, the Company obtained $32 million in credit facilities (the "Credit Facilities") from Connect First Credit Union Ltd. ("Connect First") (the "Connect First Financing"). The Credit Facilities include a $23 million commercial mortgage facility ("Facility 1"), a $5 million acquisition facility ("Facility 2"), and a $4 million authorized overdraft ("Overdraft Facility" and together with Facility 1 and Facility 2, the "Credit Facilities"). Facility 1 matures after 5 years and amortizes over a 12-year term. Facility 1 is anticipated to be established in multiple tranches advancing at various times for purposes including: (i) $11.2 million for the repayment of existing long-term debt; and (ii) $11.8 million for the repayment of the Convertible Debentures. The interest rate for Facility 1 and Facility 2 is a 5-year fixed rate of 4.55% per annum. The interest rate for the Overdraft Facility is Connect First's prime rate plus 1.50% per annum. The Company used a portion of the Credit Facilities to repay the Company's prior credit facility with Canadian Western Bank. The Company repaid the Convertible Debentures on July 27, 2022 using the Credit Facilities. For more information, see "Subsequent Events - Repayment of Convertible Debentures".

Sundial Convertible Debenture Offering

On March 30, 2022, the Company completed a private placement of a $10,000,000 principal amount 3 year 10% senior second-lien secured convertible debenture of the Company (the "Sundial Debenture") to Sundial Growers Inc. ("Sundial") for a subscription price of $9,600,000, representing an original discount of 4.0% (the "Sundial Convertible Debenture Offering").

Until June 29, 2022, the Sundial Debenture was convertible by Sundial into Common Shares (the "Conversion Shares") at a conversion price equal to the lesser of: (i) $0.35 per Conversion Share; and (ii) a share price equal to a 20.0% premium to the issuance price of an offering of equity securities of the Company completed in the six months from the date of issuance, provided that such price is not less than the 5-day volume weighted average trading price of the Common Shares (the "5-Day VWAP") as of the date of the conversion of the Sundial Debenture (the "Floor Price"). The Company may, at its option, also convert 100% of the interest accrued and payable for the first quarter ending June 30, 2022 and 50% of the interest accrued and payable for the second quarter ending September 30, 2022 into Common Shares at a price equal to the 5-Day VWAP as to the date of issuance. During an event of default that is ongoing, Sundial may, at its option, convert 100% of the interest accrued and payable into Common Shares at a price equal to the 5-Day VWAP as to the date of the interest payment.

On June 29, 2022, in connection with the Sundial Convertible Debenture Offering, the Company received the approval of the shareholders of the Company for the ratification of the Sundial Convertible Debenture Offering and specifically the approval of: (i) the issuance to Sundial (or any person acting in combination or in concert with the Sundial) of more than 19,953,242 Shares pursuant to the Sundial Debenture, representing 25% of the issued and outstanding Common Shares, on a non-diluted basis as of the issuance of the Sundial Debenture on March 30, 2022, less the 6,666,667 Shares issued to Uncle Sam pursuant to the Uncle Sam Transaction; (ii) the issuance to Sundial (and any person acting in combination or in concert with Sundial) of that number of Common Shares that would result in Sundial (and any person acting in combination or in concert with Sundial) holding greater than 19.99% of the outstanding Common Shares, and accordingly becoming a control person of the Company, after giving effect to any conversion of the Sundial Debenture or any other issuance of Common Shares to Sundial pursuant to the terms of the Sundial Debenture, including the payment of interest thereon; (iii) the payment of interest on the Sundial Debenture in Common Shares at a price per Share equal to 85% of the 5-Day VWAP of the Common Shares on the terms set out in the Sundial Debenture; and (iv) removing the Floor Price for the issuance of Common Shares on any conversion of the Sundial Debenture.

Shareholder Loan

On April 25, 2022, the Company announced that it obtained a loan from a shareholder of the Company in the amount of $4,990,264.37 that is due on July 15, 2025 (the "Shareholder Loan"). The Shareholder Loan bears interest at 6% per annum and is payable monthly.

Completion of Private Placement of Common Shares

On April 27, 2022, the Company completed a private placement of 2,038,217 Common Shares, for a deemed price of $0.314 per Common Share, to Oak Hill Financial Inc. ("Oak Hill"), in satisfaction of a success fee payable to Oak Hill pursuant to an advisory services agreement dated October 27, 2021 between Oak Hill and the Company in connection with the closing of the Company's Credit Facilities.

Completion of Public Offering of Equity Units

On June 16, 2022, the Company completed an overnight marketed financing of units of the Company (the "Equity Units") at a price of $0.22 per Equity Unit for aggregate proceeds of approximately $1,936,006. Each Equity Unit consisted of one Common Share and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.255 at any time up to 36 months following the date hereof. The Equity Units were offered by way of a prospectus supplement to a short form base shelf prospectus filed in all of the provinces of Canada except Québec pursuant to National Instrument 44-101 Short Form Prospectus Distributions and National Instrument 44-102 - *Shelf Distributions*.

Discussion of Operations:

In this discussion of operations, management has compared the three-month and six-month period ending June 30, 2022 with the three-month and six-month period ending June 30, 2021. Management has also compared versus the sequential three-month period ending March 31, 2022.

Key Performance Indicators	**Three-month period ending June 30, 2021**	**Three-month period ending September 30, 2021**	**Three-month period ending December 31, 2021**	**Three-month period ending March 31, 2022**	**Three-month period ending June 30, 2022**
Production/ Wholesale Unit					
Total Grams Produced	2,211,844	2,424,387	2,647,523	2,523,884	2,632,094
Direct Production Cost Per Gram*	$0.65	$0.58	$0.61	$0.57	$0.55
Total Cost Per Gram**	$0.80	$0.73	$0.76	$0.72	$0.70
Total Grams Sold	1,732,557	1,208,866	2,162,068	897,199	1,448,252
Avg Selling Price per Gram	$3.23	$3.42	$2.07	$3.14	$3.65
Retail Unit					
Number of Transactions Processed	227,051	243,616	260,000	231,861	348,963
Avg Transaction Size	$46.89	$42.85	$42.80	$43.63	$37.41

**Direct Production Cost per gram includes direct labour, nutrients, utilities, growing materials and supplies costs*

***Total Cost per gram includes Direct Production Cost per gram plus processing labour, packaging, bottling, and labelling costs*

Revenue, Cost of Sales and Gross Profitability

Total net revenue for the three-month and six-month period ending June 30, 2022 was $17,495,078 and $29,974,655 versus $16,750,695 and $29,978,236 for the three-month and six-month period ending June 30, 2021, an increase of 4% and nil respectively. Sequential net revenues increased 40% versus the three-month period ending March 31, 2022.

Management attributes the increase in year over year and sequential net revenue to increases in retail revenues relating to the Company’s acquisition of the Uncle Sam’s Cannabis and Discounted Cannabis stores in the first quarter of 2022 as well as relative strength in the Company’s Wholesale and B2B segments versus the sequential period.

In the upcoming quarters management will focus on three main initiatives to drive revenue growth:

- Continued expansion of the Company's retail store chain including further acquisitions as the Company continues to execute on its retail rollup strategy;
- Building momentum in the cannabis wholesale segment with a focus on expanding product distribution in the Company's six existing provincial markets, new provincial market expansions, as well as through bulk wholesale agreements with other licensed cannabis companies, and;
- Expanding B2B revenues through a focus on creating relationships in the Canadian micro cultivation industry and expansion into emerging markets in the United States.

Management believes that, given the relative novelty and uncertainty of the global cannabis industry, the Company's diversified revenue and vertical integration approaches will allow it to better react to market challenges than its competitors with single business strategies. The following chart provides a breakdown of the Company's revenue by segment:

Revenue by Segment	**Three-month period ending June 30, 2021**	**Three-month period ending March 31, 2022**	**Three-month period ending June 30, 2022**	**Six-month period ending June 30, 2021**	**Six-month period ending June 30, 2022**
Wholesale Cannabis Revenue	$5,594,018	$2,820,571	$3,759,239	$9,911,407	$6,579,810
Retail Cannabis Revenue	10,037,969	9,793,954	12,584,263	19,342,885	22,378,217
Medicinal Cannabis Revenue	42,499	27,621	29,208	91,389	56,829
Revenue from Other categories					
B2B activities	1,814,858	121,970	1,198,284	2,001,712	1,320,254
Merchandise and cannabis devices	332,577	322,660	472,391	615,810	795,051
Other	62,647	98,667	159,826	120,354	258,493
Sub total	**$17,884,568**	**$13,185,443**	**$18,203,211**	**$32,083,557**	**$31,388,654**
(Less) Excise Taxes	(1,133,872)	(705,866)	(708,133)	(2,105,321)	(1,413,999)
Net Revenue	**$16,750,696**	**$12,479,577**	**$17,495,078**	**$29,978,236**	**$29,974,655**

Cost of sales for three-month and six-month period ending June 30, 2022 was $12,850,777 (73% of net revenue) and $22,365,873 (75% of net revenue) versus $11,817,720 (71% of net revenue) and $21,357,339 (71% of net revenue) for the three-month and six-month period ending June 30, 2021.

Gross profit, before accounting for changes in the fair value of biological assets, for the three-month and six-month period ending June 30, 2022 was $4,644,301 (27% of net revenue) and $7,608,782 (25% of net revenue) versus $4,932,975 (29% of net revenue) and $8,620,897 (29% of net revenue) for the three-month and six-month period ending June 30, 2021, a decrease of 6% and 12% respectively. This also compares with Gross Profit, before accounting for changes in the fair value of biological assets, of $2,964,481 (24% of net revenue) for the three-month period ending March 31, 2022, an increase of 57% from the sequential three-month period.

Gross profitability, before accounting for changes in the fair value of biological assets, for the three-month and six-month period ending June 30, 2022 trended lower by 2% and 4%, versus the three-month and six-month period ending June 30, 2021. Gross profitability, before accounting for changes in the fair value of biological assets, improved by 3% versus the three-month period ending March 31, 2022.

Management attributes the decrease in overall gross profit, before accounting for changes in the fair value of biological assets, to overall price and margin compression in the Company's wholesale and B2B segments.

In the Company's wholesale cannabis business segment, management would note that the Company has continued to see downward trending in per gram production costs as a result of incremental efficiencies in labour costs and overall economies of scale as production output has scaled over 2021 and 2022. Gross Profit in the wholesale cannabis segment improved in the three-month period ending June 30, 2022 as a result of increased overall shipment volumes, lower average variable costs, and higher gross margins due to sales of in-house product versus purchased product. Management expects that as production cost per gram continues to trend down, as illustrated in the table above, and with the introduction of sales of higher margin cannabis derivative products in 2021 and 2022 that the Company will experience a general improvement in gross profitability from its wholesale cannabis segment.

The Company has seen relative stability in its retail cannabis business segment over the past several quarters and will continue to address KPI's such as average transaction size, average units sold per transaction, and opportunities for higher margin product sales to continue to improve retail margins. Management would also highlight that once the Company's B2B segment begins to produce more meaningful revenue contributions, the Company's overall consolidated gross margin is expected to improve.

The following chart provides a breakdown of the Company's gross profitability, before accounting for changes in the fair value of biological assets, by business segment:

For the three-month period ending March 31, 2022	**Wholesale Cannabis Business Segment**	**Retail Cannabis Business Segment**	**B2B Business Segment**	**Total**
Gross Profitability	11%	27%	23%	24%

For the three-month period ending June 30, 2022	**Wholesale Cannabis Business Segment**	**Retail Cannabis Business Segment**	**B2B Business Segment**	**Total**
Gross Profitability	25%	26%	39%	27%

Gross profit, after accounting for the changes in the fair value of biological assets, for the three-month and six-month period ending June 30, 2022 was $4,102,113 (23% of net revenue) and $7,940,887 (26% of net revenue) versus $4,890,114 (29% of net revenue) and $7,841,810 (26% of net revenue) for the three-month and six-month period ending June 30, 2021. This also compares with Gross profit, after accounting for changes in the fair value of biological assets, of $3,838,774 (31% of net revenue) for the three-month period ending March 31, 2022.

Operating Expenses

Operating expenses for the three-month and six-month period ending June 30, 2022 were $7,531,601 and $14,302,492 versus $5,693,661 and $11,889,486 for the three-month and six-month period ending June 30, 2021 (an increase of $1,837,940 and $2,413,006 respectively). The most notable increases were amortization (an increase of $373,932 and $654,632 respectively), personnel expenditures (an increase of $1,152,255 and $1,585,772 respectively), and other operating expenses (an increase of $197,117 and $271,359 respectively). The increase in overall operating expenses is largely due to the increase in the number of operating retail stores versus the previous three-month and six-month period.

Net Income / Loss from Operations

The Company's loss from operations for the three-month and six-month period ending June 30, 2022 was $(3,429,488) and $(6,361,605) versus a loss from operations of $(803,547) and $(4,047,676) for the three-month and six-month period ending June 30, 2021. Management is confident that its renewed focus on revenue growth, gross profitability, and prudent cost controls will return the Company to profitability over the coming quarters.

Adjusted EBITDA/ Loss

The Company's "Adjusted EBITDA" is a non-IFRS measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines the Adjusted EBITDA as the income (loss) from operations, as reported, before interest and tax, adjusted for removing share-based compensation expense, depreciation and amortization, and the fair value effects of accounting for biological assets and inventories, and other one-time items which are not expected to re-occur. Management believes that Adjusted EBITDA, and the attribution of Adjusted EBITDA in the manner described above, provides meaningful and useful financial information as these measures demonstrate the performance of our operating businesses.

The Company's Adjusted EBITDA (loss) for the three-month and six-month period ending June 30, 2022 was $(391,054) and $(2,085,584) versus Adjusted EBITDA of $1,199,876 and $1,206,077 for the three-month and six-month period ending June 30, 2021. This also compares with an Adjusted EBITDA loss of $(1,694,529) for the three-month period ending March 31, 2022.

Management attributes the Adjusted EBITDA loss in the period to lower than anticipated gross margins as noted above from its material business segments. Management would also highlight the improvement in Adjusted EBITDA (loss) versus the sequential period as a positive indication that the Company's expanded revenue performance and improved margins versus the sequential period have been successful in driving improved Adjusted EBITDA profitability. Management is confident that the Company's recent acquisitions and renewed focus on revenue growth and profitability will return the Company to a strengthened Adjusted EBITDA position in coming quarters.

Adjusted EBITDA	Three-month period ending June 30, 2021	Three-month period ending March 31, 2022	Three-month period ending June 30, 2022	Six-month period ending June 30, 2021	Six-month period ending June 30, 2022
Net Income (Loss) from Operations	$(803,547)	$(2,932,116)	$(3,429,488)	$(4,047,676)	$(6,361,605)
Unrealized (Gain)/ Loss from Changes in Fair Value of Biological Assets (Net)	42,861	(874,293)	542,188	779,087	-332,105
Share Based Compensation	413,716	246,944	107,121	915,086	354,065

Amortization	1,518,622	1,742,073	1,892,554	2,979,995	3,634,627
Gain on Disposal of Decibel Investment	-	-	-	493,846	-
Non-cash cost of goods sold[1]	28,224	29,962	285,543	85,739	315,505
One-Time costs	-	92,901	211,028	-	303,929
Adjusted EBITDA	**$1,199,876**	**$(1,694,529)**	**$(391,054)**	**$1,206,077**	**$(2,085,584)**

1. Non-cash cost of good sold relates to depreciation and amortization included in cost of goods sold.

Summary of Quarterly Results:

Consolidated Statement of Net Income (Loss)	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Revenue	**$15,192,268**	**$17,120,932**	**$12,479,577**	**$17,495,078**
Cost of Sales	10,425,214	12,247,951	9,515,096	12,850,777
Gross Profit Before Unrealized Gain From Changes In Biological Assets	4,767,054	4,872,981	2,964,481	4,644,301
Unrealized gain from changes in fair value of biological assets (Net)	1,690,676	(1,853,245)	874,293	(542,188)
Gross Profit	**$6,457,730**	**$3,019,736**	**$3,838,774**	**$4,102,113**
Expenses				
General and Administrative	3,687,945	2,972,633	3,810,316	4,043,257
Sales and Marketing	2,649,302	3,212,250	2,713,630	3,381,223
Share Based Compensation	175,514	371,433	246,944	107,121
Total Operating Expenses	**$6,512,761**	**$6,556,316**	**$6,770,890**	**$7,531,601**
Adjusted EBITDA (Loss) [1]	191,056	613,562	(1,694,529)	(391,054)
Income (Loss) from Operations	**$(55,031)**	**$(3,536,580)**	**$(2,932,116)**	**$(3,429,488)**
Other Income/ Expenses	(788,741)	(1,622,996)	(1,189,730)	(1,402,588)
Net Income (Loss)	**$(843,772)**	**$(5,159,576)**	**$(4,121,846)**	**$(4,832,076)**
Basic and Diluted Earnings (Loss) Per Share	**$(0.01)**	**$(0.05)**	**$(0.04)**	**$(0.04)**

Consolidated Statement of Net Income (Loss)	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Revenue	**$13,130,320**	**$14,149,717**	**$13,227,540**	**$16,750,695**
Cost of Sales	10,058,135	7,879,094	9,539,620	11,817,720
Gross Profit Before Unrealized Gain From Changes In Biological Assets	3,072,185	6,270,623	3,687,920	4,932,975
Unrealized gain from changes in fair value of biological assets	(2,648,589)	(873,326)	(736,225)	(42,861)
Gross Profit	**$423,596**	**$5,397,297**	**$2,951,695**	**$4,890,114**
Expenses				
General and Administrative	2,472,159	3,021,465	3,517,490	2,742,066
Sales and Marketing	1,753,461	2,091,947	2,176,965	2,537,879
Share Based Compensation	776,705	353,798	501,370	413,716

Total Operating Expenses	**$5,002,325**	**$5,467,210**	**$6,195,825**	**$5,693,661**
Adjusted EBITDA [1]	210,756	2,553,187	6,199	1,199,876
Income (Loss) from Operations	**$(4,578,729)**	**$(69,912)**	**$(3,244,130)**	**$(803,547)**
Other Income/ (Expenses)	(595,547)	(747,084)	(755,851)	(736,367)
Net Income (Loss)	**$(5,174,276)**	**$(816,996)**	**$(3,999,981)**	**$(1,138,899)**
Basic and Diluted Earnings (Loss) Per Share	**$(0.06)**	**$(0.01)**	**$(0.04)**	**$(0.01)**

1. Adjusted EBITDA is a non-IFRS measure, and is calculated as earnings before interest, tax, depreciation and amortization, share-based compensation expense, fair value changes, gain (loss) on investments, and other one-time and non-cash items.

Liquidity:

Working Capital Position

The Company is exposed to liquidity risk or risk of not meeting financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations.

As at June 30, 2022 the Company reported a working capital position of $18,322,139 compared to a working capital position of $(4,178,523) as at December 31, 2021. Management would note that working capital has been adjusted to remove $5,400,000 in current lease liabilities relating to the acquisition of certain Expansion Properties (as defined herein), see "Proposed Transactions" below. Management would highlight the material improvement in working capital position as a result of financing activities completed during the period.

Contractual Obligations	Total	Current year	1 – 3 years	4 – 5 years	5+ years
Trade Payables	**$10,847,199**	$10,847,199	-	-	-
Loan from related parties	**2,708,344**	-	2,708,344	-	-
Lease liabilities	**17,775,414**	7,094,863	2,672,302	2,743,343	5,264,906
Convertible Debentures	**18,493,026**	11,673,090	6,819,936	-	-
Borrowings	**32,233,744**	1,807,990	3,868,631	9,830,910	16,726,213
Total Contractual Obligations	**$82,057,727**	$31,423,142	$16,069213	$12,574,253	$21,991,119

Management believes that it is well capitalized for its planned expansion in 2022 and will use a mix of existing cash on hand, operating cash flows and, if necessary, debt and equity financing to continue its expansion over the coming year.

Capital Resources:

The Company has made the following capital commitments for the next 12 months;

- Current Lease Liabilities: $1,694,863
- Debenture Interest Payments: $1,000,000

The Company had sufficient capital resources as at June 30, 2022 to meet its capital commitments.

Off-Balance Sheet Arrangements:

As of June 30, 2022, the Company had no off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instrument obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Transactions Between Related Parties:

Related entities have advanced funds to the Company through various loans, some of which were secured by promissory notes and others which were unsecured with no specified terms of repayment.

On April 1, 2017, Delta 9 Bio-Tech entered into a unanimous shareholders agreement with the other shareholder of Delta 9 Lifestyle, 7217804. In 2017, Delta 9 Bio-Tech provided a shareholder loan in the amount of $51,000 to Delta 9 Lifestyle and 7217804 provided a shareholder loan of $49,000 to Delta 9 Lifestyle. These loans are unsecured, non-interest bearing and with no specific date of repayment. The funds from these loans were used for initial fixturing of the medical clinic operated by Delta 9 Lifestyle. As of June 30, 2022, $48,951 remained outstanding to 7217804.

On September 30, 2018, Delta 9 Bio-Tech agreed to provide a revolving loan to Delta 9 Lifestyle of $3,000,000, with interest accruing on the principal amount drawn from time to time equal to the prime rate of the Canadian Western Bank plus 2% per annum (the "Delta 9 Lifestyle Financing"). The Delta 9 Lifestyle Financing has been provided for the purposes of financing the ongoing business operations of Delta 9 Lifestyle, including the development of new retail stores. During the first quarter of 2019, the Delta 9 Lifestyle Financing was converted into a new loan of $3,060,000 at an interest rate of 3% per annum for the first 6 months, which increased to 6% per annum thereafter.

On December 31, 2018, Delta 9 Bio-Tech and 7217804 agreed to provide shareholder loans in the aggregate amount of $6,000,000 to Delta 9 Lifestyle for the purpose of pursuing certain planned expansion opportunities for Delta 9 Lifestyle's retail operations. The aggregate amount of $6,000,000 was agreed to be advanced by Delta 9 Lifestyle's shareholders pro rata based on their respective shareholdings (51% for Delta 9 Bio-Tech, 49% for 7217804).

On December 31, 2018, Delta 9 Lifestyle received advances from its shareholders, 7217804 and Delta 9 Bio-Tech, in the principal amounts of $2,500,000 and $3,060,000 respectively (the "Shareholder Advances"). These Shareholder Advances were evidenced by promissory notes (the "2018 Convertible Notes") issued by Delta 9 Lifestyle to 7217804 and Delta 9 Bio-Tech. The terms of the 2018 Convertible Notes provide that the debt represented by the 2018 Convertible Notes is convertible into Class A common shares of Delta 9 Lifestyle. The Convertible Notes accrue and bear interest at a rate in accordance with the following:

(i) From January 1, 2019 to June 30, 2019, the principal sum, bore interest at a rate equal to 3% per annum, calculated and payable monthly;

(ii) From July 1, 2019 to December 31, 2019, the principal sum, bore interest at a rate equal to 6% per annum, calculated and payable monthly; and

(iii) From January 1, 2020 until repayment in full, the principal sum and all interest thereon, the Convertible Notes shall bear interest at a rate of 6% per annum, calculated and payable monthly.

Pursuant to the terms of the 2018 Convertible Notes, at any time after June 30, 2019, but no later than 90 days prior to the maturity date of the 2018 Convertible Notes, 7217804 and/or Delta 9 Bio-Tech may convert all or any part of the then-principal sums under the Convertible Notes into Class A common shares of Delta 9 Lifestyle at the price of $60,000 per Class A common share of Delta 9 Lifestyle, subject to adjustments in accordance with the 2018 Convertible Notes. As of March 31, 2021, $3,500,000 principal amount of the 2018 Convertible Notes have been exercised for conversion into Class A common shares of Delta 9 Lifestyle ("Delta 9 Lifestyle Shares").

Due to the advance by 7217804 on December 31, 2018 being less than its pro rata portion of the aggregate $6,000,000 advance required, 7217804 had the opportunity to advance an additional $440,000 to Delta 9 Lifestyle prior to July 31, 2019, on the same terms set out in the 2018 Convertible Notes (the "2019 Shortfall Take-Up Notes"). Since 7217804 failed to do so before such date, on July 24, 2019, Delta 9 Bio-Tech delivered notice of its intention to advance the shortfall of $440,000 to Delta 9 Lifestyle, and an advance was made by Delta 9 Bio-Tech to Delta 9 Lifestyle in the amount of $440,000 on July 25, 2019, the repayment terms of which are set out in the 2019 Shortfall Take-Up Notes.

On January 20, 2021, Delta 9 Lifestyle authorized a financing from its shareholders, Delta 9 Bio-Tech and 7217804, in the aggregate amount of $2,100,000, by way of: (i) advances by Delta 9 Bio-Tech and 7217804 in the aggregate amount of $1,050,000 (consisting of $535,500 from Delta 9 Bio-Tech and $514,500 from 7217804); and (ii) subscriptions by Delta 9 Bio-Tech and 7217804 for an aggregate of 17.5 Delta 9 Lifestyle Shares (consisting of 8.925 Delta 9 Lifestyle Shares issued to Delta 9 Bio-Tech, and 8.575 Delta 9 Lifestyle Shares issued to 7217804) (collectively, the "Delta 9 Lifestyle Shareholder Financing").

The Delta 9 Lifestyle Shareholder Financing occurred in three equal tranches completed on January 20, 2021, March 31, 2021 and June 30, 2021. As of December 31 2021, an aggregate of 8.925 Delta 9 Lifestyle Shares have been issued to Delta 9 Bio-Tech, 8.025 Delta 9 Lifestyle Shares have been issued to 7218704 and $1,050,000 principal amount of convertible promissory notes have been issued to Delta 9 Bio-Tech and 7217804 Manitoba Ltd. pursuant to the Delta 9 Lifestyle Shareholder Financing (the "2021 Convertible Notes"). The 2021 Convertible Notes issued by Delta 9 Lifestyle, are convertible at the option of the holder into Delta 9 Lifestyle Shares, at a conversion rate of $60,000 per Delta 9 Lifestyle Share.

On May 5, 2021, Delta 9 Bio-Tech exercised its option to covert: (i) its entire $3,060,000 principal amount of 2018 Convertible Notes into 51 Delta 9 Lifestyle Shares; (ii) its entire $440,000 principal amount of 2019 Shortfall Take-Up Notes into 7 Delta 9 Lifestyle Shares and $20,000 in cash; and (iii) $357,000 principal amount of 2021 Convertible Notes into 5.95 Delta 9 Lifestyle Shares. Pursuant to the terms of the 2018 Convertible Notes, the 2019 Shortfall Take-Up Notes and the 2021 Convertible Notes, the conversion was to occur 90 days following notice of conversion, and on August 3, 2021 an aggregate of 63.95 Delta 9 Lifestyle Shares were issued to Delta 9 Bio-Tech pursuant to this conversion.

On June 30, 2021, Delta 9 Bio-Tech exercised its option to convert its remaining $178,500 of the 2021 Convertible Notes into Delta 9 Lifestyle Shares. Pursuant to the terms of the 2021 Convertible Notes, the conversion was effective 90 days following notice of conversion, being September 28, 2021, at which time 2.975 Delta 9 Lifestyle Shares were issued to Delta 9 Bio-Tech.

For a summary of the lease and property purchase agreements between the Company and 6599362 Canada Ltd. ("6599362"), see "Proposed Transactions" below. 6599362 is a related party of the Company because Joanne Duhoux-Defehr, a director of the Company and Delta 9 Bio-Tech, owns a 20% interest in 6599362 and 6599362 is controlled by other members of her family.

During the three-month period ending June 30, 2022, the Chief Executive Officer of the Company used his corporate credit card to fund various corporate expenses of the Company. As at June 30, 2022, $1,250 was advanced from the Company.

The Company leases a property for one of its retail stores, for its medical clinic, and office space from 3981496 MB Inc., a company owned and controlled by the beneficial owner of 7217804. The monthly rent for the lease for all of the above spaces is $13,000 per month.

Proposed Transactions:

Property Acquisitions

The Delta Facility is located at 760 and 770 Pandora Avenue in Winnipeg, Manitoba. At that same location are three additional warehouse buildings having a total floor area of approximately 60,000 square feet, and approximately 30 acres of additional land located adjacent to the Delta Facility that the Company intends to acquire (collectively, the "Expansion Properties"), as described below.

Delta 9 Bio-Tech owns the Delta Facility at 760 Pandora Avenue in Winnipeg, Manitoba and leases a 53,162 square foot warehouse facility located on the Expansion Properties (the "Expansion Facility") from 6599362. The Expansion Facility forms part of the Expansion Properties. 6599362 owns the Expansion Properties (including the Expansion Facility).

On March 19, 2018, Delta 9 Bio-Tech entered into a binding letter of intent (the "Delta LOI") dated March 19, 2018 with 6599362 setting out the terms and conditions pursuant to which it is anticipated that Delta 9 Bio-Tech would purchase property including the Expansion Properties. On July 17, 2018, the Delta LOI was amended and on April 28, 2021 a binding letter of intent was signed with 6599362 replacing and superseding the Delta LOI in respect of revised terms governing the purchase of the Expansion Properties and defining the area of the Expansion Properties. Pending completion of the purchase and sale of the Expansion Properties, pursuant to the Expansion Facility Lease, Delta 9 Bio-Tech is leasing from 6599362 the approximately 53,162 square foot Expansion Facility known as building D, which forms part of the Expansion Properties, at a basic rent of $6.60 per square foot per year ($350,875 per year) and additional rent of $4,440 per month.

The definitive agreements in respect of the acquisition of the Expansion Properties are currently being negotiated with counsel for 6599362. The acquisition of the Expansion Properties cannot take place until a subdivision is completed by the City of Winnipeg; a process that may take several months to complete. By letter dated January 31, 2019, the City of Winnipeg confirmed its receipt of the application for subdivision relating to property including the Expansion Properties, and to date no details of conditions of approval of the subdivision have been received from the City of Winnipeg. The acquisition of the Expansion Properties is also subject to TSX approval.

Critical Accounting Estimates:

The preparation of the Company's financial statements under IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are as follows:

Biological Assets and Inventory

Biological assets are valued in accordance with International Accounting Standard 41 and are presented at their fair value, less costs to process and sell. The Company's biological assets are primarily cannabis clones, mother plants, and flowering plants. There is no actively traded commodity market for plants or dried cannabis product and, as such, the valuation of these biological assets is obtained using valuation techniques where the inputs are based on unobservable market data (Level 3).

The significant assumptions for biological assets include:

- average selling price per gram less cost to sell,
- estimated yield per plant to be harvested,
- average price per plant pro-rated based on the stage of growth of the biological assets at the end of the reporting period, less wastage,
- selling costs based on salaries and wages of sales, marketing, and inventory personnel,
- processing costs based on post harvest costs to complete the inventory for sale,

Cannabis inventory is transferred from biological assets at fair value less costs to sell at the point of harvest, which becomes the deemed cost. Products for resale, consumable supplies and accessories are recognized at cost. The Company's estimates for biological assets and inventory are, by their nature, subject to change and differences from the above significant assumptions are reflected in the gain or loss on biological assets in future periods.

Estimated Useful Lives of Property, Plants and Equipment

Amortization of property, plant, and equipment requires estimates of useful lives, which are determined through the exercise of judgement. Residual values, useful lives and depreciation methods are reviewed annually for relevancy and changes are accounted for prospectively. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic conditions, market conditions and the useful lives of the assets.

Share-Based Compensation

Depending on the complexity of the specific stock option and warrant terms, the fair value of options and warrants is calculated using the Black-Scholes option pricing model. When determining the fair value of stock options, management is required to make certain assumptions and estimates related to expected lives, volatility, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results. The fair value of restricted share units issued pursuant to the Company's performance and restricted share unit plan is calculated based on the share price on the date of issue.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use ("VIU"). The fair value less costs to sell is based on an independent business valuation conducted near the end of the fiscal year. Given that the major non-financial assets were acquired near the end of the fiscal period, and the estimated future cash flows from these assets is subject to management estimates and budgets which are highly sensitive to actual future performance.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets are allocated to CGUs based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of the assets included within the CGU. The determination of the Company's CGUs are the retail stores that are included in the group for which goodwill has been established.

Significant Accounting Policies Including Initial Adoption:

For a summary of the accounting policies of the Company to accounting standards that may affect the Company, please see Section 3 "Significant Accounting Policies" and Section 4 "Accounting Pronouncements" of the Company's consolidated financial statements for the three-month and six-month period ending June 30, 2022.

Internal Controls Over Financial Reporting:

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance with regards to the reliability of financial reporting and preparation of financial statements in accordance with IFRS, as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Consistent with the concept of reasonable assurance, the Company recognizes that all systems of internal controls, no matter how well designed, have inherent limitations.
As such, the Company's internal controls over financial reporting can only provide reasonable, and not absolute, assurance that the objectives of such controls are met. An assessment of internal controls over financial reporting was conducted by the Company's management, under the supervision of the Chief Executive Officer and Chief Financial Officer. Management has evaluated the design of the Company's internal controls over financial reporting as of June 30, 2022 and has concluded that the design of internal controls over financial reporting is effective. There have been no material changes to the Company's internal controls during the period that would have materially affected, or are likely to materially affect, the internal controls over financial reporting.

Management has also established and maintained disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within the time periods prescribed by applicable securities legislation. Management has concluded that disclosure controls and procedures were designed effectively as of June 30, 2022.

Financial Instruments and Other Instruments:

The Company's financial instruments consist solely of cash and cash equivalents, trade and other receivables, accounts payable, accrued liabilities and amounts due to related parties. As of June 30, 2022 there were no significant differences between the carrying value of these items and their estimated fair values because of the short-term nature of these instruments.

Disclosure of Outstanding Share Data:

The Company manages its capital with the objective of maximizing shareholder value and ensuring that it has adequate resources to foster growth and development of the business. As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of Common Shares without par value. The Company has the following securities outstanding as at the date hereof.

Type of Security	Number Outstanding
Common Shares	125,595,545
Convertible Debenture[1]	$10,000,000 principal amount convertible into 37,735,849 Common Shares
Warrants[2]	5,227,273
Warrants[3]	8,800,027
Agents Warrants[4]	731,818
Stock Options[5]	917,829
Stock Options[6]	2,420,801
Stock Options[7]	1,006,863
Restricted Share Units[8]	48,750
Restricted Share Units[9]	1,328,300
Fully Diluted	**183,813,055**

Notes:

1. The principal amount of each convertible debenture is convertible, for no additional consideration, into Common Shares at a conversion price equal to the lesser of: (i) $0.35 per Common Share; and (ii) a share price equal to a 20.0% premium to the issuance price of an offering of equity securities of the Company completed in the six months from the date of issuance.
2. 5,227,273 Warrants issued on December 21, 2020, each of which entitles the holder thereof to acquire one Common Share at an exercise price of $0.70 until December 21, 2023;
3. 8,800,027 warrants issued on June 16, 2022, each of which entitles the holder thereof to acquire one Common Share at an exercise price of $0.255 until June 16, 2025;
4. 731,818 agent's warrants issued on December 21, 2020, each of which entitles the holder thereof to acquire one Common Share at an exercise price of $0.55 until December 21, 2023
5. 917,829 stock options issued on October 31, 2017, each exercisable to acquire one Common Share at an exercise price of $0.65 until October 31, 2022, all of which have vested;
6. 2,420,801 stock options issued on November 13, 2019, each exercisable to acquire one Common Share at an exercise price of $0.55 until November 13, 2024. These options vest over 12 months with 50% vesting after 6 months and 50% vesting after 12 months.
7. 1,006,863 stock options issued on November 27, 2020, each exercisable to acquire one Common Share at an exercise price of $0.60 until November 27, 2025. These options vest over 12 months with 50% vesting after 6 months and 50% vesting after 12 months.
8. 48,750 Restricted Share Units issued on November 27, 2020, each redeemable into one Common Share. These Restricted Share Units vest over 12 months with 50% vesting after 6 months and 50% vesting after 12 months.
9. 1,328,300 Restricted Share Units issued on September 15, 2021, each redeemable into one Common Share. These Restricted Share Units vest over 12 months with 50% vesting after 6 months and 50% vesting after 12 months.

Subsequent Events:

The following are material events that have occurred since June 30, 2022:

Repayment of Convertible Debentures

On July 26, 2022, the Company announced the completion of the cash repayment of the Convertible Debentures. The $11.8 million cash repayment represented a full payout of the Convertible Debentures. The Convertible Debentures were previously traded on the TSX under the trading symbol "DN.DB". The Company met the pre-disbursement conditions required to draw-down $11.8 million under the Credit Facilities and concurrently made the cash repayment of the Convertible Debentures. The Company's $11.8 million draw-down from the Credit Facilities is subject to a 60-month repayment term at a fixed rate of 4.55% per annum, amortized over 144 months.

Director Resigns from Board of Directors of the Company

On July 27, 2022, Joanne Duhoux-Defehr resigned from the board of directors of the Company.

Risk Factors:

Any investment in the securities of the Company is speculative, due to the nature of its business and its general stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Strategic Risks:

Management of Growth

The Company may be subject to growth-related risks, including capacity constraints and pressure on internal systems and controls.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies inside and outside of the cannabis sector, but conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Competition

The Company faces intense competition from other companies in the cannabis industry, including independent cannabis retailers, some of which have more financial resources and more manufacturing and marketing experience. The Company expects to face additional competition from new market entrants. The Company will also face competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid retail licence.

In addition, there are illegal cannabis growers operating in the black market that act as competitors to the Company by diverting customers away from the Company's products. There are a number of reasons why certain cannabis users may choose to purchase cannabis from these black market dealers rather than legal suppliers, including: (i) lower prices; (ii) different product choices; (iii) convenience; and (iv) custom, in that these users may be used to dealing with their black market dealers and do not wish to switch to legal suppliers.

Price Compression in the Cannabis Industry

Over the past year the cannabis industry has experienced, and continues to experience, price compression, which may adversely impact the Company's profitability. In addition, such price compression, as well as, or together with, the oversupply of certain types of inventory in the industry, may result in the Company incurring additional impairment losses on inventory in the event the cost of our inventory exceeds its net realizable value. The continuing evolution of these market conditions represent ongoing uncertainties that may affect the Company's future financial results.

Impact of Illicit Supply of Cannabis

In addition to competition from licenced producers and those able to produce cannabis legally without a licence, the Company also faces competition from unlicensed and unregulated market participants, including illegal dispensaries and black market suppliers selling cannabis and cannabis-based products in Canada.

Despite the legalization of medical and adult-use cannabis in Canada, black market operations remain and are a substantial competitor to the Company. In addition, illegal dispensaries and black market participants may be able to: (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations; (ii) use delivery methods that are currently prohibited from offering to individuals in Canada; (iii) use marketing and branding strategies that are restricted under the *Cannabis Act* (Canada) and regulations; and (iv) make claims not permissible under the *Cannabis Act* (Canada) and other regulatory regimes. As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in Canada, their operations may also have significantly lower costs.

As a result of the competition presented by the black market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from licenced producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could: (i) result in the perpetuation of the black market for cannabis; (ii) adversely affect the Company's market share; and (iii) adversely impact the public perception of cannabis use and licenced cannabis producers and dealers, all of which would have a materially adverse effect on the Company's business, operations and financial condition.

Growth Strategy and Expansion of Operations

The Company's growth strategy contemplates expanding its operations with the addition of the Expansion Facility and the anticipated acquisition of the Expansion Properties and the equipping of the Company's facilities with additional production resources. There is a risk that this proposed expansion plan will not be achieved on time, on budget or at all, as it could be adversely affected by a variety of factors, including: delays in obtaining, or conditions imposed by, regulatory approvals; plant design errors; environmental pollution issues; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency; breakdown, aging and failure of equipment or processes; contractor or operator errors; labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and major incidents and/or catastrophic events.

Failure to Develop and Market New Products

The cannabis industry is in its early stages of development and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop, and generate revenues from, new products. The Company may also be required to obtain additional regulatory approvals from Health Canada, the MLLC, the LGCA, the SLGA, the AGLC and the BCLDB, the OCS, the NLC, and other regulatory authorities, which may take significant time.

Industry Risks:

Contagious Disease and COVID-19

The Company's business could be adversely affected by the effects of a widespread global outbreak of contagious disease, including the severe acute respiratory syndrome coronavirus (SARS-CoV-2) ("COVID-19") pandemic. These types of outbreaks may also cause staff shortages, reduced customer demand and increased government regulations or interventions, all of which may negatively impact the business, financial condition, and results of operations of the Company.

The Company is actively assessing and responding, where possible, to the potential impact of the COVID-19 pandemic. The Company continued its operations throughout the crisis by implementing appropriate measures designed to protect the health and safety of its employees and customers.

The Company has taken steps to mitigate the impact of the COVID-19 pandemic, including implementing precautionary measures at its facilities to ensure the safety of its staff and product consumers, such as limiting access to essential personnel and protocols around sanitation and social distancing. Despite these mitigation steps, the continued presence and spread of COVID-19 nationally and globally could have a material adverse impact on the Company's business, operations, financial results, position and prospects, including through disruptions in our labour inputs, cultivation and processing activities, supply chains and sales channels and changes in product demand.

Persistent social distancing measures and restrictions imposed by the federal, provincial and territorial governments in Canada on the movement of individuals and the distribution of cannabis in the country may adversely affect the Company's cannabis sales. The extent to which the COVID-19 pandemic impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the duration of the outbreak, the severity of the virus, and the actions to contain its impact.

In addition, the COVID-19 pandemic is impacting cannabis retail sales channels and may adversely affect the Company's ability to successfully market and sell its products. The Company continues to monitor the situation and work with its stakeholders, including employees, customers and suppliers, in order to assess further possible implications to its business, supply chain and customers, and, where practicable, mitigate adverse consequences and responsibly address this global pandemic.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations, orders and guidelines relating to the manufacture, cultivation, management, transportation, storage, disposal, distribution, possession, sale, advertisement, packaging and consumption of cannabis, laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Management believes the Company is currently in compliance with all such laws.

Global Economic, Political and Social Conditions

The Company is subject to global economic, political and social conditions that may cause customers to delay or reduce cannabis consumption due to economic downturns, unemployment and volatility in the costs of energy and other consumer goods, geopolitical uncertainties and other macroeconomic factors affecting spending behaviour.

Risks Related to the Agricultural Business

The Company's operations involve the growing of the cannabis plant, an agricultural product. As such, the business is subject to the risks inherent to any agricultural business. Although the Company produces its products indoors in a climate controlled and monitored environment, there can be no assurance that natural elements will not have an adverse effect on its production operations.

Vulnerability to Rising Energy Costs

The Company's operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely affect the Company's profitability.

Product Transportation Cost and Disruptions

The Company is dependent on courier services for the distribution of its products. Due to the nature of the Company's products, security of the products during transportation to and from the Company's facilities is of the utmost concern. Any breach of security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on the Company's ability, through its subsidiary Delta 9 Bio-Tech, to continue operating under the Health Canada License or its ability to renew, or receive amendments to the Health Canada License.

Unfavourable Publicity or Consumer Perception

The cannabis industry is highly dependent on consumer perception regarding the safety, efficacy and quality of cannabis. The Company's products could be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, and other publicity regarding the consumption of cannabis products, which may not be favourable to the cannabis market or consistent with earlier publicity. Adverse publicity or other media attention could arise even if the adverse effects associated with cannabis products resulted from consumers' failure to consume such products appropriately or as directed.

Brand Risk

The Company's success is reliant on, among other things, the value of the Company's brands, and the failure to preserve their value and relevance could have a negative impact on the Company's results of operations. Consumer acceptance of the Company's brands may be influenced by a variety of factors, including adverse publicity associated with the Company's business practices.

Product Liability

As a manufacturer and distributor of ingestible products, the Company faces an inherent risk exposure to product liability claims, regulatory action and litigation, if its products are alleged to have caused significant loss or injury. There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against any potential liability.

Shelf Life of Inventory

The Company holds finished goods in inventory, including dried cannabis and oil products, which have a shelf life. The Company's typical turnover rate for inventory varies between 2 weeks and 3 months of final production, following the release of the product for sale, however, this turnover rate may change and its inventory may reach its expiration date and may not be sold. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Product Recalls

As a manufacturer and distributor of ingestible products, the Company's products may be subject to recall or return. If any of the Company's products are recalled for any reason, the Company could be required to incur additional costs related to operations or expenses from legal proceedings which may arise from such a recall. Although the Company has detailed procedures in place to prevent a recall there can be no assurance that any quality issue will be detected in time to prevent a recall and avoid regulatory action or lawsuits.

Operational Risks:

Regulatory Risks

The activities of the Company are subject to regulation by government authorities, particularly Health Canada, the MLLC, the LGCA, the SLGA, the AGLC, the BCLDB, the OCS, and the NLC. Achievement of its business objectives is contingent, in part, on compliance with regulatory requirements enacted by these authorities and on the Company's ability to obtain and retain necessary licensing and approvals for the production and sale of its products.

Reliance on Licenses

The Company's ability to produce, store, and sell cannabis is dependent on its Health Canada License and provincial retail licenses. The Company will incur ongoing costs and obligations related to compliance with the Health Canada License and the provincial retail licenses. Failure to comply may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed operations. The Health Canada License is set to expire on August 31, 2022 and although the Company believes that Delta 9 Bio-Tech will continue to meet all of the requirements under Health Canada to renew the Health Canada License there can be no guarantee that Health Canada will extend or renew the Health Canada License.

Retail Regulation

The retail and distribution model in each province and territory in Canada will have an impact on the Company. Each of the Canadian provinces and territories are responsible for implementing its own legislation to regulate the sale of cannabis. Provincial legislation may vary in material respects, including the minimum age to buy cannabis, cannabis products available for sale and whether cannabis will be sold by government boards, licensed private retailers or both.

Risks of Retail Store Operations

Growth of the Company's retail network depends, among other things, on the Company's ability to secure desirable locations on terms acceptable to the Company. The Company faces competition for retail locations from its competitors and from operators of other businesses. The success of many retail locations is significantly influenced by the location. There can be no assurances that the Company's retail locations will continue to be attractive, or that additional retail storefronts can be located in acceptable locations.

Constraints on Marketing

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada.

Limited Operating History

The Company is subject to the risks common to early stage companies, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of material revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investments, and the likelihood of success must be considered in light of the early stage of operations.

Effectiveness of Quality Control Systems

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

Reliance on the Delta Facility and Expansion Facility

The Company's activities and resources have been primarily focused on the Delta Facility and the Expansion Facility, located in Winnipeg, Manitoba, and the Company expects to continue to be focused on operations at the Delta Facility and the Expansion Facility.

Reliance on Management

The success of the business of the Company and each of its subsidiaries is dependent upon the ability, expertise, judgment, discretion and good faith of senior management. Any loss of the service of key personnel could have a material adverse effect on the business, operating results or financial condition of the Company.

Reliance on Key Inputs

The Company's business is dependent on a number of key inputs, including raw materials and supplies relating to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or pricing of the supply chain for these key inputs could materially impact the Company's operations, financial condition, and operating results.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Variable Revenues and Earnings

The Company's revenues may vary from quarter to quarter as a result of a number of factors, including, among others, timing of new product releases, timing of sales orders or deliveries, activities of the Company's competitors, possible delays in production or shipment of products, concentration of the Company's customer base, possible delays or shortages in critical inputs.

Operating Risk and Insurance Coverage

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

TSX Restrictions on Business

The Company is subject to restrictions from the TSX which may constrain the Company's ability to expand its business internationally. The Company must comply with the TSX guidelines when conducting business, especially when pursuing international opportunities in the United States.

On October 16, 2017, the TSX provided guidance regarding the application of the TSX requirements for issuers with business activities in the cannabis sector. In the notice, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSX requirements. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the TSX requirements, the TSX has the discretion to initiate a delisting review. Failure to comply with the TSX requirements could have an adverse effect on the Company's business.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with IFRS. In preparation of its financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in this regard.

Cyber Security Risks

The Company relies on certain internal processes, infrastructure and information technology systems to efficiently operate its business in a secure manner, including infrastructure and systems operated by third parties. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact the Company's ability to operate its business.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes; and employee health and safety. The Company expects to incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters.

Financial Risks:

Additional Financing Requirements

In order to execute its anticipated growth strategy, the Company will require additional equity and/or debt financing to support ongoing operations, to undertake capital expenditures, to expand into new markets, or other such initiatives. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise additional financing could limit the Company's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects.

Capital Lending Markets

As a result of the economic uncertainties in the cannabis industry, the Company may have reduced access to bank debt and equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowing, if available, and possible issuances of debt or equity securities, the Company's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lending appetite for investments in the cannabis industry, generally, and the Company's securities in particular.

Unprofitable Business Operations

The Company has incurred losses in recent years. The Company may not be able to achieve or maintain profitability and may continue to incur losses in the future.

Limitations on Forecasting

The Company must rely largely on its own market research to forecast its cannabis sales as detailed forecasts are not generally obtainable from other sources given the early stage of the cannabis industry in Canada.

Commodity Taxes and Government Mark-Ups

Changes in tax rates or governmental mark-ups, and their corresponding effect on product pricing, could affect sales and/or earnings. If taxes or governmental mark-ups increase and the Company increases the prices of its products by the full amount of the tax or the mark-up, as the case may be, sales volumes could be adversely impacted.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business.

Price Fluctuations of Securities

The market price of the listed securities of the Company may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries; divergence in financial results from analyst expectations; changes in earnings estimates by stock market analysts; changes in the business prospects for the Company and its subsidiaries; general economic conditions; legislative changes; and other events and factors outside of the Company's control. In addition, stock markets have, from time to time, experienced extreme price and volume fluctuations, which can adversely affect the market price of the securities of the Company.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of its securities which may be dilutive.