

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2022

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GLOSSARY

Capitalized terms used in this annual information form have the meanings ascribed to them below. Unless otherwise stated, all references to "\$" or "dollars" are to the lawful currency of Canada.

"10007705" means 10007705 Manitoba Ltd., a company equally owned by the Corporation and Canopy Growth and incorporated under the laws of the province of Manitoba on December 14, 2017;

"10552763" means 10552763 Canada Corp.;

"1884 Alberta" has the meaning ascribed to that term under "General Development of the Business – Three Year History – Acquisition of Two Retail Cannabis Stores in Edmonton, Alberta";

"2018 Convertible Notes" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions - Delta 9 Lifestyle Shareholder Advances";

"2019 Convertible Debentures" mean the 8.5% unsecured convertible debentures of the Corporation, each in the principal amount of \$1,000, that constituted a part of the 2019 Debenture Units issued pursuant to the 2019 Debenture Unit Offering;

"2019 Debenture Unit Offering" means the public offering of 11,800 2019 Debenture Units at a price of \$1,000 per 2019 Debenture Unit for aggregate gross proceeds to the Corporation of \$11,800,000 completed on July 17, 2019 pursuant to the 2019 Prospectus, as more fully described under "General Development of the Business – Three Year History – 2019 Debenture Unit Offering";

"2019 Debenture Units" mean the debenture units of the Corporation issued pursuant to the 2019 Debenture Unit Offering, consisting of one 2019 Convertible Debenture and 826 2019 Warrants;

"2019 Shortfall Take-Up Notes" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions - Delta 9 Lifestyle Shareholder Advances";

"2019 Warrants" means the common share purchase warrants that constituted a part of the 2019 Debenture Units issued pursuant to the 2019 Debenture Unit Offering, each of which was exercisable until July 17, 2022 for one Common Share at an exercise price of \$1.33 per Common Share, subject to certain acceleration provisions as more fully described under "Description of Capital Structure – 2019 Warrants";

"2020 Broker Warrants" means the broker warrants of the Corporation issued to LJG as partial consideration for its services pursuant to the 2020 Equity Unit Offering, each of which is exercisable until December 21, 2023 for one Common Share at an exercise price of \$0.55 per Common Share;

"2020 Equity Unit Offering" means the bought deal offering of 10,454,546 2020 Equity Units at a price of \$0.55 per 2020 Equity Unit for aggregate gross proceeds to the Corporation of \$5,750,000 completed on December 21, 2020 pursuant to the 2020 Prospectus, as more fully described under "General Development of the Business – Three Year History – 2020 Equity Unit Offering";

"2020 Equity Units" mean the units of the Corporation issued pursuant to the 2020 Equity Unit Offering, consisting of one Common Share and one half of one 2020 Warrant;

"2020 Prospectus" means the final short form prospectus of the Corporation in respect of the 2020 Equity Unit Offering dated December 14, 2020;

"2020 Warrant Indenture" means the warrant indenture, dated December 21, 2020, between the Corporation and the Warrant Agent governing the terms and conditions of the 2020 Warrants issued under the 2020 Equity Unit Offering;

"2020 Warrants" means the common share purchase warrants that constituted a part of the 2020 Equity Units issued pursuant to the 2020 Equity Unit Offering, each of which is exercisable until December 21, 2023 for one Common

Share at an exercise price of \$0.70 per Common Share, subject to adjustment in accordance with the provisions of the 2020 Warrant Indenture, described under "Description of Capital Structure – 2020 Warrants";

- "2021 Convertible Notes" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions Delta 9 Lifestyle Shareholder Advances";
- "2022 Equity Unit Offering" means the offering of 8,800,027 2022 Equity Units at a price of \$0.22 per 2022 Equity Unit for aggregate gross proceeds to the Corporation of \$1,936,006 completed on June 16, 2022 pursuant to the 2022 Equity Unit Prospectus Supplement, as more fully described under "General Development of the Business Three Year History 2022 Equity Unit Offering";
- "2022 Equity Unit Prospectus Supplement" means the prospectus supplement of the Corporation dated June 9, 2022 to the Base Shelf Prospectus in respect of the 2022 Equity Unit Offering;
- "2022 Equity Units" means the units of the Corporation issued pursuant to the 2022 Equity Unit Offering, each consisting of one Common Share and one 2022 Warrant;
- "2022 Warrant Indenture" means the warrant indenture, dated June 16, 2022, between the Corporation and the Warrant Agent governing the terms and conditions of the 2022 Warrants issued under the 2022 Equity Unit Offering;
- "2022 Warrants" means the common share purchase warrants that constituted a part of the 2022 Equity Units issued pursuant to the 2022 Equity Unit Offering, each of which is exercisable until June 16, 2025 for one Common Share at an exercise price of \$0.255 per Common Share, subject to adjustment in accordance with the provisions of the 2022 Warrant Indenture, described under "Description of Capital Structure 2022 Warrants";
- "5-Day VWAP" has the meaning ascribed to the term under "General Development of the Business Sundial Convertible Debenture Offering";
- "659362" means 6599362 Canada Ltd., a company controlled by family members of Joanne Duhoux-Defehr, a former director of the Corporation and Delta 9 Bio-Tech. Ms. Duhoux-Defehr resigned as a director of the Corporation on July 27, 2022. To the Corporation's knowledge, Ms. Duhoux-DeFehr holds a 20% equity interest in 6599362 but does not have any involvement in the management of 6599362 and does not control 6599362;
- "ACMPR" means the Access to Cannabis for Medical Purposes Regulations (Canada);
- "ACMPR Medical Document" means a medical document containing the prescribed information to authorize the use of cannabis for medical purposes under the ACMPR;
- "AGLC" means Alberta Gaming, Liquor and Cannabis;
- "ATM" means at-the-market;
- "ATM Program" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions Establishment of ATM Program";
- "ATM Prospectus Supplement" means the prospectus supplement of the Corporation dated December 6, 2022 to the Base Shelf Prospectus in respect of the ATM Program;
- "Audit Committee" means the audit committee of the Board;
- "Auxly" means Auxly Cannabis Group Inc.;
- "Base Shelf Prospectus" means, collectively, the amended and restated short form base shelf prospectus of the Corporation dated November 25, 2022, for all of the provinces of Canada, except Québec and the short form base shelf prospectus of the Corporation dated November 25, 2022, for Québec and the territories of Canada;
- "BCBCA" means the Business Corporations Act (British Columbia);

"BCLDB" means the British Columbia Liquor Distribution Branch;

"Board" means the board of Directors of the Corporation;

"Canopy Growth" means Canopy Growth Corporation;

"CBCA" means the Canada Business Corporations Act;

"Common Shares" means the common shares of the Corporation, and includes a fraction thereof;

"connectFirst" has the meaning ascribed to the term under "General Development of the Business - Credit Facility";

"Conversion Shares" has the meaning ascribed to the term under "General Development of the Business – Sundial Convertible Debenture Offering";

"Corporation" means Delta 9 Cannabis Inc. and may include references to its Subsidiaries, as applicable;

"COVID-19" means the novel coronavirus disease, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and any variant thereof;

"Credit Facilities" has the meaning ascribed to the term under "General Development of the Business - Credit Facility";

"**Delta 9 Bio-Tech**" means Delta 9 Bio-Tech Inc., a corporation continued under the CBCA that is a wholly-owned Subsidiary of the Corporation;

"**Delta 9 Cannabis Store**" means Delta 9 Cannabis Store Inc., a corporation incorporated under the CBCA that is a wholly-owned Subsidiary of the Corporation;

"Delta 9 Lifestyle" means Delta 9 Lifestyle Cannabis Clinic Inc., a partially-owned Subsidiary of Delta 9 Bio-Tech;

"Delta 9 Lifestyle Shareholder Financing" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions - Delta 9 Lifestyle Shareholder Advances";

"Delta 9 Lifestyle Shares" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions - Delta 9 Lifestyle Shareholder Advances";

"**Delta 9 Logistics**" means Delta 9 Logistics Inc., a corporation incorporated under the MBCA that is a wholly-owned Subsidiary of the Corporation;

"**Delta Facility**" means the Corporation's production facility located at 760 Pandora Avenue East, in Winnipeg, Manitoba, having a total floor area of approximately 95,000 square feet;

"Delta LOI" means the binding letter of intent dated March 19, 2018 between Delta 9 Bio-Tech and 6599362 setting out the terms and conditions pursuant to which it is anticipated that Delta 9 Bio-Tech or its nominee(s) will purchase the Expansion Properties, together with all fixtures thereon, appurtenances thereto, and all chattels of any kind associated with the maintenance and use thereof, as further described under "Description of the Business - General - Production and Services - Property, Facility and Equipment";

"Director" means a director of the Corporation;

"Equity Distribution Agreement" has the meaning ascribed to that term under "Interest of Management and Others in Material Transactions – Establishment of ATM Program";

"**Expansion Facility**" means the warehouse facility with a total leasable area of approximately 53,162 square feet known as building D forming part of the Expansion Properties, which Delta 9 Bio-Tech currently leases from 6599362

under the Expansion Facility Lease pending the anticipated acquisition of the Expansion Properties by Delta 9 Bio-Tech, as further described under "Description of the Business - General - Production and Services - Property, Facility and Equipment";

"Expansion Facility Lease" means the lease agreement dated March 19, 2018 and effective April 1, 2018 between Delta 9 Bio-Tech and 6599362 pursuant to which Delta 9 Bio-Tech currently leases the Expansion Facility from 6599362 pending the anticipated acquisition of the Expansion Properties by Delta 9 Bio-Tech, as further described under "Description of the Business - General - Production and Services - Property, Facility and Equipment";

"Expansion Properties" means the three warehouse buildings having a total floor area of approximately 100,000 square feet, which includes the Expansion Facility, and the approximately 40 acres of additional land located adjacent to the Delta Facility situated at 770 Pandora Avenue East, in Winnipeg, Manitoba, which Delta 9 Bio-Tech intends to acquire to expand its cannabis production capacity pursuant to the terms and conditions of the definitive agreements contemplated by the Delta LOI, as further described under "Description of the Business - General - Production and Services - Property, Facility and Equipment";

"Facility 1" has the meaning ascribed to the term under "General Development of the Business - Credit Facility";

"Facility 2" has the meaning ascribed to the term under "General Development of the Business - Credit Facility";

"Garden Variety Transaction" has the meaning ascribed to that term under "General Development of the Business – Three Year History – Garden Variety Transaction";

"Governance, Nominating and Compensation Committee" means the governance, nominating and compensation committee of the Board;

"**Grow Pods**" means the Corporation's modular, scalable and stackable production units, as further described under "Description of the Business – General – Production and Services – Grow Pods";

"Haywood" means Haywood Securities Inc.;

"Health Canada License" means the provisional license issued by Health Canada to Delta 9 Bio-Tech dated effective December 18, 2013, which was later expanded to a production and sales license initially dated March 18, 2014, designating Delta 9 Bio-Tech as a licensed producer of cannabis, as amended and renewed from time to time;

"Hey Bud Transaction" has the meaning ascribed to that term under "General Development of the Business – Three Year History – Acquisition of Two Retail Cannabis Stores in Edmonton, Alberta";

"**Independent Director**" means a director that is independent within the meaning of section 1.4 of National Instrument 52-110 – *Audit Committees*;

"LGCA" means the Liquor, Gaming and Cannabis Authority of Manitoba;

"LGCC Act" means the Liquor, Gaming and Cannabis Control Act (Manitoba), as amended from time to time;

"LJG" means Leede Jones Gable Inc.;

"Manitoba Distribution Agreement" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Manitoba Distribution Agreement";

"Manitoba Distribution License" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Manitoba Distribution License";

"Manitoba Supply Agreement" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Manitoba Supply Agreement";

"MBCA" means The Corporations Act (Manitoba);

"MLLC" means Manitoba Liquor & Lotteries Corporation;

"MLLC Act" means The Manitoba Liquor and Lotteries Control Act (Manitoba);

"Modern Leaf" means Modern Leaf Group Inc.;

"Modern Leaf Agreement" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Modern Leaf Transaction";

"Modern Leaf Transaction" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Modern Leaf Transaction":

"Newfoundland and Labrador Supply Agreement" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Newfoundland and Labrador Supply Agreement";

"NI 52-110" means National Instrument 52-110 – Audit Committees;

"NLC" means the Newfoundland and Labrador Liquor Corporation;

"Oceanic" means Oceanic Releaf Inc.;

"OCS" means the Ontario Cannabis Retail Corporation, doing business as the "Ontario Cannabis Store";

"Ontario Supply Agreement" has the meaning ascribed to the term under "General Development of the Business – Three Year History – Ontario Supply Agreement";

"Options" means incentive stock options to acquire Common Shares, granted under the Stock Option Plan;

"OTCQX" means the premium tier over-the-counter securities marketplace operated by OTC Market Group;

"Overdraft Facility" has the meaning ascribed to the term under "General Development of the Business – Credit Facility";

"PI" means PI Financial Corp.;

"PIPEDA" has the meaning set forth under "Risk Factors - Cyber Security and Privacy Risks";

"**Producing Grow Pods**" has the meaning set forth under "Description of the Business – General – Production and Services – Grow Pods";

"PRSU Plan" means the amended and restated performance and restricted share unit plan dated May 12, 2022;

"PSUs" means performance share units granted under the PRSU Plan;

"RSUs" means restricted share units granted under the PRSU Plan;

"September 2022 Private Placement" has the meaning ascribed to that term in "General Development of the Business – Three Year History – Completion of Private Placement of Common Shares";

"Shareholder" means a holder of Common Shares;

"SLGA" means the Saskatchewan Liquor and Gaming Authority;

"Stock Option Plan" means the amended and restated incentive stock option plan of the Corporation dated June 25, 2020;

"Subsidiary" means any entity: (i) of which more than 50% of the outstanding securities ordinarily entitled to elect a majority of the board of directors thereof (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by the Corporation; or (ii) which is otherwise controlled, directly or indirectly, by the Corporation;

"Sundial" has the meaning ascribed to the term under "General Development of the Business – Sundial Convertible Debenture Offering";

"Sundial Debentures" has the meaning ascribed to the term under "General Development of the Business – Sundial Convertible Debenture Offering";

"Sundial Convertible Debenture Offering" has the meaning ascribed to the term under "General Development of the Business – Sundial Convertible Debenture Offering";

"TSX" means the Toronto Stock Exchange;

"Uncle Sam" has the meaning ascribed to the term under "General Development of the Business – Uncle Sam Transaction":

"Uncle Sam Purchase Agreement" has the meaning ascribed to the term under "General Development of the Business – Uncle Sam Transaction":

"Uncle Sam Transaction" has the meaning ascribed to the term under "General Development of the Business – Uncle Sam Transaction"; and

"Warrant Agent" means Computershare Trust Company of Canada, in its capacity as warrant agent in respect of: (i) the 2020 Warrants; and (ii) the 2022 Warrants.

FORWARD-LOOKING STATEMENTS

This annual information form contains forward-looking statements. All statements other than statements of historical fact contained in this annual information form are forward-looking statements, including, without limitation, statements regarding expectations as to future cannabis production and sales by the Corporation; expectations as to the size and value of the medical cannabis, recreational cannabis and related product markets in Canada; future financial position; future development and growth prospects; expected operating costs, general and administrative costs, costs of services and other costs and expenses; the Corporation's ability to meet current and future obligations; the Corporation's ability to obtain equipment, services and supplies in a timely manner; business strategy; financial condition; capital resources and business of the Corporation and/or its Subsidiaries; the Corporation's policy with respect to dividends; and plans and objectives of or involving the Corporation or its Subsidiaries or any businesses to potentially be acquired by the Corporation. 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 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 Corporation and/or its Subsidiaries to differ materially from anticipated results, performance, achievements and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: management of growth; conflicts of interest; competition; price compression in the cannabis industry; impact of illicit supply of cannabis; growth strategy and expansion of operations; failure to deliver and market new products; contagious disease and COVID-19; changes in laws, regulations and guidelines; global economic, political and social conditions; risks related to the agricultural business; vulnerability to rising energy costs; product transportation cost and disruptions; unfavourable publicity or consumer perception; brand risk; product liability; shelf life of inventory; product recalls; regulatory risks; reliance on licenses;

retail regulation; risks of retail store operations; constraints on marketing; effectiveness of quality control systems; reliance on the Delta Facility and Expansion Facility; reliance on management; reliance on key inputs; dependence on suppliers and skilled labour; variable revenues and earnings; operating risk and insurance coverage; TSX restrictions on business; accounting policies and internal controls; cyber security risks; environmental and employee health and safety regulations; additional financing requirements; capital lending markets; unprofitable business operations; limitations on forecasting; commodity taxes and government mark-ups; litigation; price fluctuation of securities; short sales, dilution, and dividends, all as more particularly described herein under "Risk Factors".

Additional factors that could affect the operating results and performance of the Corporation and its Subsidiaries include assumptions regarding the performance of the businesses of the Corporation and its Subsidiaries that are considered in setting the business plan for the Corporation and its Subsidiaries and in setting financial targets. Key assumptions include that the demand for products and services of the businesses of the Corporation and its Subsidiaries will continue to grow and that the legislative and regulatory environments of the jurisdictions where the Corporation carries on business or has operations will allow the Corporation to pursue its business objectives. Should one or more of the risks materialize or the assumptions prove incorrect, actual results, performance or achievements of the Corporation and its Subsidiaries may vary materially from those described in forward-looking statements.

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

STRUCTURE OF THE CORPORATION

Name, Address and Formation

Delta 9 Cannabis Inc. is governed by the BCBCA. The head office of the Corporation is located at P.O. Box 68096 Osborne Village, Winnipeg, Manitoba, R3L 2V9 and the registered office of the Corporation is located at Suite 2600, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1.

The Corporation is a reporting issuer in the Provinces of all of the provinces and territories of Canada.

The Corporation's securities trade on the TSX under the trading symbol "DN" and on the OTCQX under the trading symbol "DLTNF".

Intercorporate Relationships

The following table describes the material Subsidiaries of the Corporation as at December 31, 2022, their place of incorporation, continuance or formation, and the percentage of the outstanding voting securities of each Subsidiary that is beneficially owned, controlled or directed by the Corporation:

Name of Subsidiary	Percentage of Total Voting Securities Owned by the Corporation (or a Subsidiary)	Jurisdiction of Incorporation, Continuance or Formation
Delta 9 Bio-Tech	100% (direct)	Canada
Delta 9 Lifestyle	68.78% (indirect – through Delta 9 Bio-Tech)	Manitoba
10007705	50% (indirect – through Delta 9 Bio-Tech)	Manitoba
Delta 9 Cannabis Store	100% (direct)	Canada
Delta 9 Logistics	100% (direct)	Manitoba

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Set forth below is a summary of the significant developments regarding the Corporation that have taken place in the three previous financial years of the Corporation.

Modern Leaf Transaction

On September 19, 2019, the Corporation, through its wholly-owned Subsidiary, Delta 9 Cannabis Store, entered into a binding letter of intent to enter into a definitive agreement (the "Modern Leaf Agreement") to acquire from Modern Leaf all or substantially all of Modern Leaf's assets located in the Province of Alberta relating to two proposed retail cannabis stores (the "Modern Leaf Transaction"). On November 21, 2019, the Corporation entered into the Modern Leaf Agreement.

On May 29, 2020, the Corporation completed the Modern Leaf Transaction. The purchase price for the Modern Leaf Transaction was \$1,300,000, subject to customary adjustments and other adjustments. \$1,000,000 of the purchase price of the Modern Leaf Transaction was satisfied through the issuance of 1,250,000 Common Shares at a price per Common Share of \$0.80 based on the closing market price of the Common Shares on the TSX on September 19, 2019. \$150,000 of the purchase price of the Modern Leaf Transaction was paid as a deposit that was non-refundable. The deposit was applied against the purchase price for the Modern Leaf Transaction, and the \$150,000 balance of such purchase price was satisfied in cash on the closing date of the Modern Leaf Transaction. Upon the closing of the Modern Leaf Transaction, Delta 9 Cannabis Store and Modern Leaf entered into additional agreements providing for the granting of a right of first refusal by Modern Leaf to Delta 9 Cannabis Store to purchase a retail store located in Olds, Alberta and the granting of certain restrictive covenants by Modern Leaf in favour of Delta 9 Cannabis Store.

Following the completion of the Modern Leaf Transaction, on June 10, 2020 and June 20, 2020, the Corporation opened its fifth and sixth retail cannabis stores, located in Calgary and Grande Prairie, Alberta, respectively. For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Auxly Private Supply Agreement

On February 25, 2020, the Corporation entered into a supply agreement with Auxly, pursuant to which Auxly has agreed to supply the Corporation's retail stores with a number of new cannabis products including cannabis oils, chocolates, chewables and vape products.

Health and Safety Measures for COVID-19

On March 30, 2020, the Corporation announced that it had implemented numerous precautionary health and safety measures across its operations to protect customers and employees while maintaining operations amid the COVID-19 pandemic.

Health Canada Approval for Processing Center

On April 8, 2020, the Corporation received approval from Health Canada for its purpose-built processing center which will allow for fully automated bottling, packaging, capping, and labelling functions for its consumer-packaged dried cannabis products. The Corporation anticipates that once the processing center is licensed and operating at capacity it will allow for processing of up to 25,000 kilograms per year of dried cannabis flower material.

Agreement with Oceanic Releaf Inc.

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

Newfoundland and Labrador Supply Agreement

On June 15, 2020, the Corporation announced that it entered into an agreement with the Province of Newfoundland and Labrador, the NLC and Oceanic pursuant to which the Corporation will supply cannabis and cannabis-related products in Newfoundland and Labrador (the "Newfoundland and Labrador Supply Agreement"). Pursuant to the Newfoundland and Labrador Supply Agreement, the Corporation has agreed to supply the NLC with cannabis and cannabis related products until Oceanic obtains its production license. The Corporation completed its first shipments of cannabis products to Newfoundland and Labrador in the third quarter of 2020.

Ontario Supply Agreement

On June 23, 2020, the Corporation announced that it entered into a master cannabis supply agreement (the "Ontario Supply Agreement") with the OCS, pursuant to which the Corporation 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 Corporation also entered into a data subscription agreement with the OCS, under which the OCS will supply point-of-sale data pertaining to the Corporation's retail product sales. The Corporation completed its first shipments of cannabis products to Ontario in the third quarter of 2020.

Retail Cannabis Store Opening in Winnipeg, Manitoba

On September 8, 2020, the Corporation opened its seventh retail cannabis store, located in Winnipeg, Manitoba.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Completion of the Kolab Transaction and Retail Cannabis Store Opening in Lloydminster, Saskatchewan

On November 9, 2020, the Corporation announced it closed a transaction with Auxly and Kolab Projects Inc. ("**Kolab**") whereby Delta 9 Cannabis Store acquired from Kolab substantially all of the assets of, related to or used in a licenced retail cannabis store located at 3427 – 50 Avenue, Unit 7, Lloydminster, Saskatchewan (the "**Kolab Transaction**"), the Corporation's eighth retail cannabis store. The purchase price for the Kolab Transaction was

\$875,000, subject to customary adjustments. \$750,000 of the purchase price was satisfied through the issuance of 1,282,270 Common Shares to Auxly. The \$125,000 balance of the purchase price was satisfied in cash on closing.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

The Corporation is also developing additional technologies which can decontaminate equipment at low temperatures and modular storage and transport units which can be used to store and distribute vaccines while maintaining quality and stability.

Partnership with Emterra Environmental

On December 14, 2020, the Corporation announced that it has 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.

2020 Equity Unit Offering

On December 21, 2020, the Corporation completed the 2020 Equity Unit Offering, a public offering of 10,454,546 2020 Equity Units at a price of \$0.55 per 2020 Equity Unit for aggregate gross proceeds of \$5,750,000. The 2020 Equity Unit Offering was conducted and led by LJG. Each 2020 Equity Unit consisted of one Common Share and one half of one (1/2) 2020 Warrant. Each whole 2020 Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.70 at any time until December 21, 2023.

Pursuant to the terms of an underwriting agreement between the Corporation and LJG, the Corporation paid LJG a cash commission equal to 7% of the gross proceeds of the 2020 Equity Unit Offering, and issued LJG 731,818 2020 Broker Warrants.

Retail Cannabis Store Openings in Winnipeg, Manitoba

On December 21, 2020, February 5, 2021, March 18, 2021 and April 15, 2021, the Corporation opened its ninth, tenth, eleventh and twelfth retail cannabis stores, respectively, located in Winnipeg, Manitoba.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Approval of Expansion of Health Canada License

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 will allow the Corporation to improve control systems within its licensed perimeter, improve the operational flow of its operations, and to position the Corporation to better plan for future expansions of the Corporation's licensed cannabis operations areas. The new purpose-built storage and distribution area will allow the Corporation to improve its product packaging, case-packing and distribution efficiency to better allow it to cater to its provincial distribution markets across Canada.

Health Canada Approval of Expanded Licensed Perimeter of the Delta Facility and Storage and Distribution Area

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 will allow the Corporation to improve control systems within its licensed perimeter, improve the operational flow of its operations, and to position the Corporation to better plan for future expansions of the Corporation's licensed cannabis operations areas. The new purpose-built storage and distribution area will allow the Corporation to improve its product packaging, case-packing, and distribution efficiency to better allow it to cater to its provincial distribution markets across Canada.

Retail Cannabis Store Opening in Winnipeg, Manitoba

On August 26, 2021, the Corporation opened its thirteenth retail cannabis store, located in Winnipeg, Manitoba.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Acquisition of Two Retail Cannabis Stores in Edmonton, Alberta

On August 31, 2021, the Corporation closed a transaction with 1884356 Alberta Ltd. (the "**1884 Alberta**") to acquire all or substantially all of 1884 Alberta's assets relating to the operation of two retail cannabis stores in Edmonton, Alberta (the "**Hey Bud Transaction**"), the Corporation's fourteenth and fifteenth retail cannabis stores. The acquisition was completed through Delta 9 Cannabis Store pursuant to an asset purchase agreement between Delta 9 Cannabis Store and 1884 Alberta dated July 9, 2021. The purchase price paid by Delta 9 Cannabis Store relating to the Hey Bud Transaction was \$2,350,000, subject to customary adjustments. \$940,000 of the purchase price was satisfied through the issuance of 2,243,437 Common Shares at a deemed price of \$0.419 per Common Share, which is the 10-day volume weighted average price per Common Share on the TSX as at August 30, 2021. The balance of the purchase price was paid in cash.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Retail Cannabis Store Opening in Winnipeg, Manitoba

On September 23, 2021, the Corporation opened its sixteenth retail cannabis store, located in Winnipeg, Manitoba.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Opening of Seventeenth Retail Cannabis Store

On February 28, 2022, the Corporation opened its seventeenth retail cannabis store. The store is located at 1719 Portage Ave in Winnipeg, Manitoba and is part of the St. James Hotel facilities. The location offers plenty of free parking spaces and easy access from the street. The new store offers customers a modern shopping décor, highly trained staff and a wide range of products, including dried cannabis flower, cannabis oil, edibles, drinkables, vape pens, concentrates.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Credit Facility

On March 30, 2022, the Corporation obtained \$32 million in credit facilities (the "Credit Facilities") from Connect First Credit Union Ltd. ("connectFirst"). 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"). 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 2019 Convertible Debentures.

The interest rate under Facility 1 and Facility 2 is a 5-year fixed rate of 4.55% per annum and connectFirst prime plus 1.50% per annum for the Overdraft Facility. The Corporation used a portion of the Credit Facilities to repay its prior credit facilities and the 2019 Convertible Debentures. For more information on the repayment of the 2019 Convertible Debentures, see "*Repayment of 2019 Convertible Debentures*".

Sundial Convertible Debenture Offering

On March 30, 2022, the Corporation completed a private placement offering of a \$10,000,000 principal amount 3 year 10% senior secured second-lien convertible debenture of the Corporation (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").

The Sundial Debenture is convertible by Sundial into Common Shares (the "Conversion Shares") at a conversion price equal to the lesser of: (i) \$0.35 per Conversion Share; or (ii) a share price equal to a 20.0% premium to the issuance price of an offering of equity securities of the Corporation completed in the six months from the date of issuance.

Pursuant to the terms of the Sundial Debenture, the Corporation had the right to 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 five day volume weighted average price of the Common Shares on the TSX (the "5-Day VWAP") as to the date of issuance. As of the date hereof, the Corporation has converted \$250,000 in interest accrued and payable into 1,178,647 Common Shares.

According to the terms of the Sundial Debenture, 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 5-Day VWAP as to the date of interest payment.

Uncle Sam Transaction

On March 30, 2022, the Corporation 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 (collectively, the "Uncle Sam Purchase Agreement"). 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. The vendor 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 Corporation paid an additional \$600,928.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Manitoba Distribution Agreement

On April 14, 2022, the Corporation announced that the Corporation, 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 LGCA. Under the Manitoba Distribution Agreement, the Corporation 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 Corporation's cross-docking and distribution services are expect to allow out-of-province suppliers to improve logistics efficiencies and reduce shipping costs into the Manitoba market and is expected to provide the Corporation with additional diversified revenue streams.

Opening of Thirty-Fifth Retail Cannabis Store

On April 20, 2022, the Corporation 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 busiest shopping district in

west Winnipeg.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Launch of Canada's First Mobile Cannabis Store

On April 20, 2022, the Corporation announced the launch of its first mobile cannabis store, licensed by the LGCA to sell cannabis on-site at the 2022 Dauphin Countryfest and the 2022 Rock the Fields Minnedosa music festivals. The Corporation believes this will be Canada's first licensed mobile retail store to sell cannabis at music festivals. The mobile retail store is built on a secure, 8 foot by 26 foot self-contained trailer. Customers enter the mobile store from the rear via a pull-down ramp and place their orders at one of two interior checkouts. The majority of the interior space in the trailer is used to house the necessary cannabis inventory in a secure vault setting. The Corporation plans to use the mobile store for additional music festivals and events across Manitoba in 2023.

Shareholder Loan

On April 25, 2022, the Corporation announced that it obtained a loan from a shareholder of the Corporation in the amount of \$4,990,264.37 that is due on July 20, 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 Corporation announced that it 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 Corporation in connection with the closing of the Credit Facilities.

2022 Equity Unit Offering

On June 16, 2022, the Corporation completed an overnight marketed financing of 2022 Equity Units at a price of \$0.22 per 2022 Equity Unit for aggregate proceeds of approximately \$1,936,006. Each 2022 Equity Unit consisted of one Common Share and one 2022 Warrant. Each 2022 Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.255 at any time until June 16, 2025. The 2022 Equity Units were offered pursuant to the 2022 Equity Unit Prospectus Supplement.

Repayment of 2019 Convertible Debentures

On July 26, 2022, the Corporation announced the completion of the repayment of the 2019 Convertible Debentures. The \$11.8 million repayment represented a full payout of the 2019 Convertible Debentures. The 2019 Convertible Debentures were previously traded on the TSX under the trading symbol "DN.DB". The Corporation met the predisbursement conditions required to draw-down \$11.8 million under the Credit Facilities and concurrently made the repayment of the 2019 Convertible Debentures. The Corporation'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 Corporation

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

Garden Variety Transaction

On September 7, 2022, the Corporation completed a transaction with 10552763 whereby, pursuant to an asset purchase agreement between the Corporation and 10552763 dated August 12, 2022, the Corporation acquired all or substantially all of 10552763's assets relating to the operation of three "Garden Variety" branded retail cannabis stores located in Manitoba, two in Winnipeg and one in Brandon (the "Garden Variety Transaction").

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Completion of Private Placement of Common Shares

On September 9, 2022, the Corporation completed a private placement offering of 1,650,000 Common Shares at a price of \$0.1250 per ommon Share to various subscribers for aggregate gross proceeds to the Corporation of \$206,250.00 (the "September 2022 Private Placement").

Manitoba Distribution License

On October 24, 2022, the Corporation received a distribution license from the LGCA (the "Manitoba Distribution License"). Under the Manitoba Distribution License, the Corporation is authorized to acquire, store, sell and deliver cannabis in accordance with LGCC Act. The Corporation is the first licensed distributor of cannabis products in Manitoba. The Manitoba Distribution License is valid until September 30, 2023.

Kindred Brokerage Agreement

On November 8, 2022, the Corporation announced that Delta 9 Bio-Tech entered into a brokerage agreement with Kindred Partners Inc. to provide exclusive brokerage and sales services for Delta 9's portfolio of branded cannabis products in Canada. Kindred Partners Inc., a wholly-owned subsidiary of Breakthru Beverage Group, is a Toronto-based specialty cannabis brokerage serving the adult-use market. Kindred Partners Inc. leverages the deep experience of its sister-company, Breakthru Beverage Canada, in working with Canadian Provincial control boards, licensed distributors and retailers to broker regulated cannabis products for the adult-use market.

Opening of Thirty Nineth Retail Cannabis Store

On December 5, 2022, the Corporation announced the opening of its thirty-ninth retail cannabis store. The new store is located at 1351 Main Street, Dauphin, Manitoba.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Establishment of ATM Program

On December 6, 2022, the Corporation announced that it had established an ATM equity program (the "ATM **Program**") that allows the Corporation to issue up to \$5,000,000 of Common Shares from treasury to the public from time to time, at the Corporation's discretion. Distributions of the Common Shares through the ATM Program will be made pursuant to the terms of an equity distribution agreement (the "**Equity Distribution Agreement**") dated December 6, 2022 between the Corporation and Haywood.

Pursuant to the Equity Distribution Agreement, the Common Shares may be offered and sold by Haywood: (a) in privately negotiated transactions with the consent of the Corporation and, if required, by the TSX; (b) as block transactions; (c) by Haywood, on the TSX or on any other "marketplace" (as such term is defined in National Instrument 21-101 – Marketplace Operation) in Canada; or (d) by any method permitted by law that constitutes an "at-the-market distribution" under National Instrument 44-102 – *Shelf Distributions*.

The offering under the ATM Program will be made pursuant to the ATM Prospectus Supplement.

Appointment of Stuart Starkey as Director of the Corporation

On December 19, 2022, the Corporation appointed Stuart Starkey to the Board.

Developments since December 31, 2022

Opening of Fortieth and Forty First Retail Cannabis Stores

On January 3, 2023, the Corporation announced the opening of its fortieth retail cannabis store. The new store is located at 78 Marion Street, Winnipeg, Manitoba.

On February 7, 2023, the Corporation announced the opening of its forty first retail cannabis store. The new store is located at 625 Sargent Avenue, Winnipeg, Manitoba.

For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

2023 Cost Cutting Measures

On January 9, 2023, the Corporation announced a number of cost cutting measures as part of the Corporation's 2023 strategic plan with the goal of producing positive cash flow from operations, including reducing the Corporation's production capacity at the Delta Facility by 40% and temporarily laying off 40 employees of the Corporation. The plan was developed to that there is no material impact on wholesale revenues or on shipments to the Corporation's wholesale and retail customers. Delta 9 is working closely with employees to reduce the impact of this decision including continuing to cover costs for Corporation benefits and other transitional services. The Corporation's retail operations will not be impacted as a part of this plan.

Export of Cannabis to Australia and Receipt of Export Permits

On February 13, 2023, the Corporation announced that it had completed its first wholesale shipment of cannabis to a customer in Australia. The Corporation also received seven additional export permits from Health Canada for shipments to Australia. The Corporation intends to complete multiple shipments to Australia during the first and second quarter of 2023 and anticipates that each shipment will be for approximately 100 kilograms of dried cannabis flower and six kilograms of cannabis distillate.

Installation and Implementation of Automated Pre-Roll Manufacturing Equipment

On March 9, 2023, the Corporation completed the installation and implementation of its new fully automated pre-roll manufacturing equipment at the Delta Facility, which the Corporation anticipates will significantly increase the Corporation's capacity to manufacture pre-rolled cannabis products. The project was funded in partnership with the Government of Manitoba's Canadian Agricultural Partnership AG Action Manitoba program. The Corporation has entered into a contribution agreement with the Province of Manitoba dated March 6, 2023 for \$175,000 of the overall project cost.

Significant Acquisitions

No significant acquisitions (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) were completed by the Corporation during the financial year ended December 31, 2022.

DESCRIPTION OF THE BUSINESS

General

Summary

The Corporation is a vertically integrated cannabis company, with operations in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business to business activities. All of the active business of the Corporation is carried on by its wholly-owned Subsidiaries, Delta 9 Bio-Tech, Delta 9 Cannabis Store, Delta 9 Logistics and its partially-owned Subsidiaries, Delta 9 Lifestyle and 10007705.

The Corporation, through its Subsidiary, Delta 9 Bio-Tech, is a Licensed Producer (as such term is defined in the ACMPR) of cannabis. Delta 9 Bio-Tech initially obtained the Health Canada License from Health Canada on December 18, 2013. On April 20, 2018, Health Canada approved Delta 9 Bio-Tech's application for an amendment to its Health Canada License allowing Delta 9 Bio-Tech to produce bottled cannabis oil. On December 4, 2019, the

Health Canada License was expanded further to include the sale of cannabis extracts, topical and edible cannabis products. The Health Canada License is currently valid until August 22, 2027.

The Corporation derives its revenues from three main sources:

- (i) wholesale sales of dried cannabis and other cannabis products to authorized provincial and territorial distributors and retailers;
- (ii) retail sales of dried cannabis and other cannabis products to end consumers; and
- (iii) sales of Grow Pods and live cannabis plants to other companies and cannabis producers.

The Corporation currently produces approximately 30 different genetic strains of cannabis, 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 Corporation is done at the Delta Facility, located in east Winnipeg, Manitoba.

Delta 9 Lifestyle, a partially-owned Subsidiary of Delta 9 Bio-Tech, was incorporated under the MBCA 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 are owned by 7217804 Manitoba Ltd., an arm's length third party.

Delta 9 Lifestyle operates a medical clinic, which helps to market the Delta 9 Bio-Tech brand to patients and provide physician consultation services to patients seeking a medical recommendation for a cannabis prescription. As of December 31, 2022, Delta 9 Lifestyle operates 17 retail stores in Manitoba that sell recreational use cannabis under the trade name "Delta 9 Cannabis Store".

The Corporation owns 100% of the issued and outstanding shares of Delta 9 Cannabis Store. Delta 9 Cannabis Store was incorporated under the CBCA on May 6, 2019. As of December 31, 2022, Delta 9 Cannabis Store operates 22 retail stores in Alberta and Saskatchewan that sell recreational use cannabis under the "Delta 9 Cannabis Store", "Uncle Sam's Cannabis" and "Discount Cannabis" brand names. For more details on the Modern Leaf Agreement, Uncle Sam Transaction and/or the Garden Variety Transaction, see "General Development of the Business – Three Year History – Uncle Sam Transaction" and/or "General Development of the Business – Three Year History – Garden Variety Transaction".

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 medical cannabis.

In addition to Delta 9 Bio-Tech (and its partially-owned subsidiary, Delta 9 Lifestyle), the Corporation owns and operates two other active subsidiaries, 10007705 Manitoba Ltd. and Delta 9 Logistics.

Products and Services

Dried Cannabis Flower

The Corporation currently produces approximately 15 different genetic strains of cannabis, each with its own unique chemical cannabinoid content, terpene, and flavonoid profiles, and 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 Corporation is done at the Delta Facility. Management believes that the Corporation has one of the largest in-house stocks of unique genetic cannabis strains among cannabis producers in Canada. The Corporation 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 Corporation's overall product offering.

Pre-Rolls

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

Oils, Extracts and Derivative Products

The Corporation, 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 Corporation's oil products currently account for approximately 15% of its overall product offering.

Dried Sift Cannabis

The Corporation produces a line of dried sift cannabis products, including its "Sapphire" line, for the recreational cannabis market which involves sifting the Corporation's blended products and refining it, leaving more of the high potency resin glands and less of the low potency plant material. The final product is a yellow/brownish powder and has a potency that is up to double that of the whole flower dried cannabis materials.

Medical Clinic

The Corporation, through its partially-owned Subsidiary, Delta 9 Lifestyle, operates a medical clinic located at 478 River Avenue in Winnipeg, Manitoba. The clinic helps market the Delta 9 Bio-Tech brand to patients and provides physician consultation services to patients seeking a medical recommendation for a cannabis prescription.

Retail Sales

As of December 31, 2022, the Corporation, through its Subsidiaries, Delta 9 Lifestyle and Delta 9 Cannabis Store owns and operates 39 retail cannabis stores under the trade name "Delta 9 Cannabis Store", "Discount Cannabis", "Uncle Sam's Cannabis" and "Garden Variety" brand names:

#	Store Name	Brand	Operating Subsidiary	Address	Opening Date
1	Dakota	Delta 9 Cannabis Store	Delta 9 Lifestyle	Unit 1 – 827 Dakota Street, Winnipeg, Manitoba	October 17, 2018
2	River		Delta 9 Lifestyle	478 River Avenue, Winnipeg, MB	March 21, 2019
3	Brandon		Delta 9 Lifestyle	1570 18 th Street, Brandon, Manitoba	April 2, 2019
4	Thompso n		Delta 9 Lifestyle	300 Mystery Lake Road, Thompson, Manitoba	September 27, 2019
5	Calgary		Delta 9 Cannabis Store	Unit 210 – 777 8 Avenue SW, Calgary, Alberta	June 10, 2020
6	Grand Prairie		Delta 9 Cannabis Store	106 – 10126 120 Avenue, Grande Prairie, Alberta	June 20, 2020

7	Kenaston		Delta 9 Lifestyle	1589 Kenaston Boulevard, Winnipeg, Manitoba	September 8, 2020
8	Lloydmi nster		Delta 9 Cannabis Store	Unit 7 – 3427 50 Avenue, Lloydminster, Saskatchewan	November 9, 2020
9	Kildonan		Delta 9 Lifestyle	655 – 1615 Regent Avenue West, Winnipeg, Manitoba	December 22, 2020
10	Kirkfield		Delta 9 Lifestyle	3321 Portage Avenue, Winnipeg, Manitoba	February 5, 2021
11	Bunns Creek		Delta 9 Lifestyle	2001 Henderson Highway, Winnipeg, Manitoba	March 18, 2021
12	Northgat e		Delta 9 Lifestyle	1399 McPhillips Street, Winnipeg, Manitoba	April 15, 2021
13	Selkirk		Delta 9 Lifestyle	379 Main Street, Selkirk, Manitoba	August 26, 2021
14	Beverly		Delta 9 Cannabis Store	4512 118 Avenue NW, Edmonton, Alberta	September 1, 2021
15	Kensingt on			12620 132 Avenue NW, Edmonton, Alberta	September 2, 2021
16	Pembina		Delta 9 Lifestyle	2081 Pembina Highway, Winnipeg, Manitoba	September 23, 2021
17	St. James		Delta 9 Lifestyle	1719 Portage Ave, Winnipeg, Manitoba	March 1, 2022
18	Crestvie w		Delta 9 Lifestyle	3421 Portage Ave, Winnipeg, Manitoba	April 20, 2022
19	Sherwoo d Park	Uncle Sam's Cannabis	Delta 9 Cannabis Store	301 101 Granada Boulevard, Sherwood Park, Edmonton, Alberta	March 30, 2022
20	Fort Road			13572 Fort Road NW, Edmonton, Alberta	
21	Morinvill e			1-10219 100 Avenue, Morinville, Edmonton, Alberta	

22	Coloor		10404 69 Assense NW Edmant - Allanda	
22	Calgary Trail		10404 68 Avenue NW, Edmonton, Alberta	
	11411			
23	St. Albert	1	106 506 St. Albert Trail, St. Albert, Alberta	
24	50 th		12751 50 Street NW, Edmonton, Alberta	
	Street			
	NW			
25	97 th		12950 97 Street NW, Edmonton, Alberta	
	Street			
26	Castle	1	13712 Castle Downs Road, Edmonton, Alberta	
20	Downs		13/12 Castle Downs Road, Edinoliton, Alberta	
	Downs			
27	90 th	1	17042 90 Avenue, Edmonton, Alberta	
	Avenue		, ,	
28	Beaumon	Discounte	101-5003 30 Avenue, Beaumont, Alberta	
	t	d		
		Cannabis		
20	3.6 ' '11		0507 100 G M	
29	Morinvill e		9507 100 Street, Morinville, Alberta T8R 1R2	
30	50 th	1	12988 50 Street NW, Edmonton, Alberta	
	Street			
31	82 nd	1	12916 82 Street NW, Edmonton, Alberta	
	Street			
	1.1.04h	-	10010 440 4	
32	118 th		13210 118 Avenue NW, Edmonton, Alberta	
	Avenue			
33	127 th	-	14147 127 Street NW, Edmonton, Alberta	
33	Street		1717/ 12/ Successive, Editionion, Atoena	
34	Stony	1	105-4600 48 Street, Stony Plain, Alberta	
	Plain			
35	Manning		106-2-256 Manning Crossing NW Unit A,	
	Crossing		Edmonton, Alberta	
<u> </u>		1		

36	Ellice	Garden Variety	Delta 9 Lifestyle	1424 Ellice Avenue, Winnipeg, Manitoba	August 15, 2022
37	Season Tuxedo			655 Sterling Lyon Parkway, Winnipeg, Manitoba	
38	Brandon			1350 18 Street, Brandon, Manitoba	
39	Main Street	Delta 9 Cannabis Store	Delta 9 Lifestyle	1351 Main Street, Dauphin, Manitoba	December 5, 2022

Since December 31, 2022, the Corporation has opened an additional two "Delta 9 Cannabis Store" retail outlets in Manitoba. For more information, see "General Development of the Business - Three Year History - Opening of Fortieth and Forty First Retail Cannabis Stores".

Principal Markets

Cannabis Legalization in Canada

In Canada, medical cannabis has been legal in some shape or form since 2001 when the Federal Court ruled that Health Canada must provide patients seeking access to medical cannabis with a legal avenue to do so. As a campaign promise in the Canadian federal election of October 2015, the Liberal Party of Canada announced its intention to legalize, regulate, and restrict access to cannabis if elected. After obtaining a majority government, the Liberal Party of Canada reiterated its commitment to legalize cannabis in November 2016.

On April 13, 2017, the Canadian federal government put forward proposed legislation, the *Cannabis Act* (Canada), establishing the framework for the legalization of recreational, adult-use of cannabis, as well as laws to address drugimpaired driving, protect public health and safety, and prevent youth access to cannabis. The provincial and municipal governments were given explicit authority by the federal government to provide regulations regarding retail and distribution of cannabis, as well as the ability to alter some of the existing regulations, such as increasing the minimum age for purchase and consumption. The ACMPR continues to operate in tandem with the recreational regime, and will be re-evaluated within five years of the *Cannabis Act* (Canada) coming into force. Licensed Producers (as such term is defined in the ACMPR) will be deemed to be licensed under the *Cannabis Act* (Canada) as well.

The *Cannabis Act* (Canada) received royal assent on June 20, 2018 and was passed into law. Legal recreational cannabis sales in Canada began on October 17, 2018. Edibles, topicals and extracts containing cannabidiol (CBD) became legal in Canada on October 17, 2019.

On December 5, 2017, the Government of Manitoba introduced *The Safe and Responsible Retailing of Cannabis Act* (Manitoba). *The Safe and Responsible Retailing of Cannabis Act* (Manitoba) amended the LGCC Act and MLLC Act to authorize and regulate the retail sale of cannabis in Manitoba in conjunction with the *Cannabis Act* (Canada). All businesses selling cannabis in storefronts or online must be provincially licensed. The MLLC is responsible for acquiring all cannabis for retail sale, and only cannabis sourced through them may be sold. The MLLC is authorized to enter into agreements with licensed cannabis distributors. The LGCA is responsible for licensing cannabis stores and distributors in the province of Manitoba, with its inspectors being responsible for compliance enforcement. The legislation also included provisions that:

- (a) established the ability of municipal governments to prohibit retail cannabis sales within their boundaries by holding a plebiscite;
- (b) ensure only cannabis grown by federally authorized producers is sold at retail locations;

- confirm all cannabis products sold in Manitoba are packaged and labelled according to federal requirements;
 and
- (d) increased penalties for offences under the LGCC Act to a maximum fine of \$100,000 or one-year imprisonment or both for individuals and a maximum fine of \$500,000 for corporations for offences such as selling product from an unlicensed producer or selling as an unlicensed retailer.

The Safe and Responsible Retailing of Cannabis Act (Manitoba) received royal assent on June 5, 2018, and was passed into law. The legislation came into force on October 17, 2018 in conjunction with the Cannabis Act (Canada).

All other provincial governments and territories have implemented similar legislation in each of their respective jurisdictions legalizing and regulating recreational use cannabis.

Canadian Medical Cannabis Market

As the Corporation's sales of recreational cannabis has 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 Corporation's annual revenue.

Canadian Recreational Cannabis Market

In 2021, Deloitte issued a report with respect to the cannabis industry in Canada since legalization.¹ According to the report, since legalization:

- the cannabis industry has generated \$11 billion in sales in Canada, 67.8% of which was from recreational cannabis, and made \$29 billion in capital expenditures; and
- the cannabis industry has contributed \$43.5 billion to Canada gross domestic product.

In 2021, Deloitte issued a consumer report with respect to the cannabis industry based on a nationwide survey conducted of 1,000 Canadians aged 18 and older in January 2021.² According to the report:

- 75% of Canadians do not consume cannabis;
- 58% of all cannabis consumers are existing consumers, 21% are returning consumers and 21% are new consumers;
- 75% of the volume of cannabis sales is from existing consumers, 14% is from returning consumers and 11% is from new consumers; and
- 54% of existing consumers purchase cannabis from legal sources only and 26% buy it from both legal and unlicensed sellers.

Distribution Methods

As of the date hereof, the Corporation distributes dried cannabis and other cannabis products in the Provinces of Manitoba, Saskatchewan, Alberta, British Columbia, Ontario and Newfoundland and Labrador:

In Manitoba, the Corporation is authorized to distribute dried cannabis products directly to the MLLC for
retail sale pursuant to the Manitoba Supply Agreement, which is currently expired and being negotiated by
the Corporation. For more information on the Manitoba Supply Agreement, see "General Development of

¹ https://www2.deloitte.com/ca/en/pages/consumer-business/articles/an-industry-makes-its-mark.html?id=ca:2el:3dp:eng_FY22_ConsumerCannabis_AnnualReport:External_OCS__GKWAB76A

https://www2.deloitte.com/ca/en/pages/consumer-business/articles/listening-to-canadas-cannabis-consumer.html

the Business - Three Year History - Manitoba Supply Agreement".

- In Saskatchewan, the SLGA has authorized the Corporation to supply cannabis products directly to Saskatchewan's retail and wholesale markets.
- In Alberta, the Corporation is authorized to distribute dried cannabis products directly to the AGLC for the retail sale and supply of dried cannabis products for the Alberta cannabis retail markets.
- In British Columbia, the Corporation is authorized to distribute dried cannabis products directly to the BCLDB for the retail sale and supply of dried cannabis products for the British Columbia cannabis retail markets.
- In Ontario, the Corporation is authorized, pursuant to the Ontario Supply Agreement, to supply cannabis
 products and accessories directly to the OCS for the retail sale and supply of cannabis products and
 accessories for the Ontario cannabis retail markets.
- In Newfoundland and Labrador, the Corporation is authorized, pursuant to the Newfoundland and Labrador Supply Agreement, to supply cannabis and related products directly to the NLC for the retail sale and supply of cannabis products and accessories for the Newfoundland and Labrador cannabis retail markets.

The Corporation's current retail distribution of recreational use cannabis products is undertaken by Delta 9 Lifestyle and Delta 9 Cannabis Store which, as at December 31, 2022, operate a total of 39 retail cannabis stores located in Manitoba (seventeen (17) stores), Saskatchewan (one store) and Alberta (twenty-one (21) stores) under the "Delta 9 Cannabis Store", "Uncle Sam's Cannabis", "Discount Cannabis" and "Garden Variety" brand names. For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

The Corporation's current distribution of medical cannabis products is undertaken in Canada, under Health Canada's mail order ACMPR program.

Revenues

Dried Cannabis Products Oils, Extracts and Derivative Products

Revenues received by the Corporation from the sale of dried cannabis, cannabis oils, extracts and derivative products to customers during the financial year ended December 31, 2022 were \$12,126,163 and December 31, 2021 were \$18,535,927.

Retail

Recreational use cannabis sales in Canada began legally on October 17, 2018. Revenues received by the Corporation from its retail stores operated by Delta 9 Lifestyle, in Manitoba, and Delta 9 Cannabis, outside of Manitoba, under the trade name "Delta 9 Cannabis Store" from the sale of recreational use cannabis products, including ancillary products such as cannabis edibles, vaporizers and accessories, during the year ended December 31, 2022 were \$52,194,268 and December 31, 2021 were \$41,525,706.

Business to Business Products and Services

Revenues from consulting services, the sale of Grow Pods, and the sale of live plants to other licensed and pre-licensed companies during the year ended December 31, 2022 were \$1,730,399 and December 31, 2021 were \$5,010,113.

Production and Services

Grow Pods

The Corporation's cannabis production methodology is based around a modular, scalable, and stackable production

unit called a "**Grow Pod**". The Corporation currently retrofits standard 40 foot high cube shipping containers into Grow Pods, which ensures compliance with federal security and good production practices and produce optimal conditions and layout for large scale production of cannabis. The Corporation retrofits containers at its business premises, employing Corporation staff and certified contractors. Each Producing Grow Pod (as defined herein) is capable of producing approximately 31.5 kilograms of dried cannabis per year.

As at December 31, 2022, the Corporation had 297 Grow Pods fully licensed and approved by Health Canada in service, consisting of 262 Grow Pods used for production of cannabis ("**Producing Grow Pods**") and 35 Grow Pods used for non-production plants, plant harvesting, processing and packaging activities or laboratory and testing activities. The Corporation continues to have 297 Grow Pods in service as at the date hereof.

Management believes that the Corporation's Grow Pod production system provides an attractive return on invested capital, with numerous benefits attributable to the small scale modular room design, including that:

- (a) small scale room design avoids diseconomies of scale in electrical, heating, ventilation and air conditioning costs that can negatively affect large scale grow rooms and facilities;
- (b) small scale rooms allow for more control over the growing environment and better quality attention to be paid to each batch, leading to higher product quality;
- (c) the small scale and standardized room and equipment approach ensures that each product is grown the same way each time, which management believes helps to produce high quality and consistent products that will help the Corporation build its brand among cannabis consumers;
- (d) compartmentalization of single points of failure minimizes downside risk and risk of contamination and cross-contamination. For example, if an individual Grow Pod was to be contaminated or a crop were to fail due to a system failure, the overall exposure of the Corporation is minimized as compared with a similar problem occurring in a much larger production area. Small batches lead to a minimized risk which can be easily managed, whereas a large batch results in larger risk of failure, which is cost prohibitive to effectively mitigate; and
- (e) compartmentalization of security risks using a modular room design means that the Corporation is able to minimize the dollar value at risk in any given room at any given time. The Corporation's modularized security systems distribute risk over a larger area, more rooms, and across more security systems, increasing the chance that any person stealing cannabis products from the Corporation will be caught and minimizing the chances for loss to the Corporation.

Property, Facility and Equipment

The Corporation's offices, the Delta Facility and the Expansion Properties are located at 760 and 770 Pandora Avenue East in Winnipeg, Manitoba.

Delta 9 Bio-Tech owns the Delta Facility and leases the Expansion Facility from 6599362, a company controlled by family members of Joanne Duhoux-Defehr, a former director of the Corporation and Delta 9 Bio-Tech. 6599362 owns the Expansion Facility and Expansion Properties. Ms. Duhoux-Defehr resigned as a director of the Corporation on July 27, 2022. To the Corporation's knowledge, Ms. Duhoux-DeFehr holds a 20% equity interest in 6599362 but does not have any involvement in the management of 6599362 and does not control 6599362. Other tenants in the Expansion Properties include a metal works company, a furniture manufacturing firm, and several shipping and logistics companies.

On March 19, 2018, Delta 9 Bio-Tech entered into the Delta LOI and the Expansion Facility Lease with 6599362. On July 17, 2018, the Delta LOI was amended and negotiations are currently ongoing between Delta 9 Bio-Tech Inc. and 6599362 in respect of the purchase 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.

Production Methods

When the Corporation selects a specific strain of cannabis for production, hundreds of genetically identical plant clippings are taken from "mother plants" and placed into plant cloning incubators, which provide a constant supply of rooting hormones and diluted nutrient mixes over the first two weeks of production.

Once the new clippings have rooted, they are placed in one of the Corporation's run-to-waste hydroponics systems and the environmental conditions are changed to allow the plants to begin to produce flowers. Over the production cycle, environmental conditions are monitored closely to ensure optimal levels for temperature, humidity, carbon dioxide, light intensity, and nutrient levels. Plants are watered with a constant supply of water using potable reverse osmosis filtered water and a mixture of nutrients commercially available for horticulture.

After eight to ten weeks, the mature flowers of the female cannabis plants are ready to be harvested. At this stage the plants are cut down at the base, undesirable materials such as broad leaves, stems, stocks, and roots are removed, and the desirable flower materials are hand-trimmed, leaving only the finely manicured finished flower material. The finished materials are subjected to a seven to fourteen day drying and curing process before being bulk packaged, sterilized, and portioned into 3.5 gram and seven gram packages for sale. All products are tested as per Health Canada guidelines for total bacteria, mold and yeast, bile-tolerant gram negative bacteria, heavy metals, aflatoxins, human pathogens, and cannabinoid potency before being quality assured as safe and ready for sale.

Delta 9 Lifestyle

In February 2017, the Corporation incorporated Delta 9 Lifestyle, a partially-owned Subsidiary, to operate the Corporation's first medical clinic at 478 River Avenue in Winnipeg, Manitoba, which helps market the Corporation brand to patients, provides physician consultation services to patients seeking a medical recommendation, and is expected to take the Corporation's first steps into a retail setting.

The Corporation, through its Subsidiary, 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 are owned by 7217804 Manitoba Ltd., an arm's length third party.

At Delta 9 Lifestyle's medical clinic, patients who are seeking an ACMPR Medical Document for cannabis can see one of the doctors who practice at the clinic, who will, if deemed medically appropriate, prescribe cannabis by providing an ACMPR Medical Document to the patient to register with a licensed producer. If a patient receives an ACMPR Medical Document, that patient is entitled to purchase cannabis from any licensed producer in Canada. The non-medical staff at Delta 9 Lifestyle assist patients with completing the necessary paperwork to order cannabis from Delta 9 Bio-Tech or three other licensed cannabis producers. Each of Delta 9 Bio-Tech and the three other licensed cannabis producers to whom staff at Delta 9 Lifestyle may refer patients pays a flat monthly fee to Delta 9 Lifestyle for this referral service. In addition, Delta 9 Lifestyle helps generate new clients for sales of medical cannabis by the Corporation.

Delta 9 Lifestyle also operates a chain of retail cannabis stores under the "Delta 9 Cannabis Store" and "Garden Variety" brand names, offering cannabis flower, cannabis oils, edibles and cannabis accessories to adult recreational consumers. As of December 31, 2022, Delta 9 Lifestyle operates 14 stores that sell recreational cannabis operated under the trade name "Delta 9 Cannabis Store", ten (10) located in Winnipeg, one (1) located in Brandon, one (1) located in Thompson, one (1) located in Selkirk and one (1) located in Dauphin, Manitoba. As of December 31, 2022, Delta 9 Lifestyle operates three stores that sell recreational cannabis operated under the trade name "Garden Variety", two (2) located in Winnipeg, and one (1) located in Brandon.

Delta 9 Cannabis Store

Delta 9 Cannabis Store operates a chain of retail cannabis stores under the "Delta 9 Cannabis Store", "Uncle Sam's Cannabis" and "Discount Cannabis" brand names, offering cannabis flower, cannabis oils, edibles and cannabis accessories to adult recreational consumers. As of December 31, 2022, Delta 9 Cannabis Store operates twenty two (22) stores that sell recreational cannabis operated under the "Delta 9 Cannabis Store", "Uncle Sam's Cannabis" and "Discount Cannabis" brand names: one (1) located in Calgary, Alberta, one (1) located in Grande Prairie, Alberta, fifteen (15) located in Edmonton, Alberta, one (1) located in St. Albert Alberta, one (1) located in Beaumont, Alberta, one (1) located in Morinville, Alberta, one (1) located in Stony Plains, Alberta and one (1) located in Lloydminster, Saskatchewan. For more information with respect to the Corporation's retail cannabis stores, see "Description of the Business – General – Products and Services – Retail Sales".

Delta 9 Logistics

Delta 9 Logistics was incorporated for the purposes of the Manitoba Supply Agreement. For more details on the Manitoba Supply Agreement, see "General Development of the Business – Three Year History – Manitoba Supply Agreement".

Specialized Skill and Knowledge

As of the date hereof, the Corporation employes approximately 202 full-time employees and 240 part-time employees, working in areas including production, processing, quality assurance, inventory control, sales and marketing, customer service, accounting, administration, executive, retail, and legal. The Corporation also employed consultants as required from time to time.

Competitive Conditions

The Corporation faces intense competition from other cannabis producers and retailers, some of which have greater financial resources, market access and manufacturing and marketing experience than the Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of the proposed operations of the Corporation. Because of the preliminary stage of the recreational cannabis market in which the Corporation operates, the Corporation expects to face additional competition from new entrants.

With respect to retail operations, the Corporation competes with other retail license holders in Manitoba, Saskatchewan, Alberta, British Columbia, Ontario and Newfoundland and Labrador as well as other jurisdictions that permit private cannabis retail stores. The Corporation anticipates other cannabis retailers will also attempt to enter and compete in these markets. The Corporation's principal competitors are other large retailers with national or regional presences. The Corporation's principal aspects of competition include, among other things, securing real estate locations, obtaining licenses to sell cannabis and regulatory approvals, the availability of cannabis products, as well as the ability to attract and retain key personnel and consumers. To remain competitive, the Corporation will require a continued high level of investment in location expansion, information technology systems and design, marketing and sales.

The Corporation also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid retail license and illegal cannabis dealers.

An increase in the number of retail licenses granted by the provincial governments in the provinces in which the Corporation operates could have a material adverse impact on the Corporation.

For more information on risk factors related to competitive conditions, see "Risk Factors - Competition".

New Products

The Corporation is continually developing new strains of dried cannabis, new core and limited-time-offer products, pre-rolls, oils, extract, and derivative cannabis products. The Corporation continues to improve its B2B and Grow Pod offering through investments in research and development of yield and process improvements in its licensed cannabis facility.

Components

The Corporation's business is dependent on a number of key inputs, including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. The raw materials that are integral to the Corporation's products are plant nutrients and water. The Corporation does not anticipate any difficulty in sourcing the components necessary to operate its business.

Intangible Properties

The Corporation attempts to protect itself by developing brand awareness for its products through a carefully planned branding and marketing campaign. The Corporation has applied for trademark protection for all images and logos which are essential to the Corporation's creation and maintenance of its brand moving forward.

As of December 31, 2022, the Corporation, through Delta 9 Bio-Tech, had filed two patent applications to protect its intellectual property. On January 11, 2018, Delta 9 Bio-Tech filed a patent application with Innovation, Sciences and Economic Development Canada with respect to the process for the preparation of its high potency dried sift cannabis product. On April 9, 2018, Delta 9 Bio-Tech filed a patent application with each of Innovation, Sciences and Economic Development Canada and the United States Patent and Trademark Office with respect to its Grow Pods.

Cycles

The demand for cannabis products is fairly consistent throughout the calendar year. Accordingly, the business of the Corporation and its Subsidiaries is not seasonal or cyclical to any significant extent.

Economic Dependence

The Corporation's ability to grow, store and sell cannabis in Canada is dependent, in part, on the Health Canada License. Delta 9 Bio-Tech's failure to comply with the requirements of the Health Canada License, or any failure to maintain the Health Canada License in good standing, will have a material adverse impact on the business, financial condition and operating results of the Corporation. The Health Canada License is currently due to expire on August 22, 2027. Although the Corporation believes that Delta 9 Bio-Tech will meet the requirements of the ACMPR for extension of the Health Canada License, there can be no guarantee that Health Canada will extend or renew the Health Canada License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Health Canada License on different terms, the business, financial condition and results of the operations of the Corporation could be materially adversely affected.

Changes to Contracts

No aspect of the Corporation's business is anticipated to be materially affected in the current financial year by renegotiation or termination of any contract.

Environmental Protection

The Corporation's cannabis production is contained within its Grow Pods and, accordingly, does not have, and is not expected to have, any material environmental impact. All growing and processing of cannabis by the Corporation is done indoors in the Grow Pods, which are tightly controlled areas. All by-products and waste, including waste water from the Corporation's hydroponic growing systems, are disposed of and handled in compliance with applicable governmental regulations and requirements.

For information about the Corporation's sustainable recycling program, see "General Development of the Business - Three Year History - Partnership with Emterra Environmental".

Management does not anticipate any financial or operational effects on the capital expenditures, profit or loss, or competitive position of the Corporation in the current financial year or in future years as a result of environmental protection requirements.

Employees

As at December 31, 2022, the Corporation and its Subsidiaries employed 442 individuals. 202 individuals were full-time employees and 240 individuals were part-time employees.

Foreign Operations

The Corporation does not currently rely to any significant extent upon sales of its products in jurisdictions outside of Canada.

Lending

The Corporation does not undertake any material lending operations.

Bankruptcies, Receiverships and Similar Proceedings

There has never been any bankruptcy, receivership or similar proceedings against the Corporation or any of its Subsidiaries and neither the Corporation nor any of its Subsidiaries has been party to any voluntary bankruptcy, receivership or similar proceedings.

Reorganizations

There has not been any material reorganization of the Corporation or any of its Subsidiaries in the past three years.

Social or Environmental Policies

Neither the Corporation nor any of its Subsidiaries has implemented any social or environmental policies that are fundamental to their operations.

RISK FACTORS

The Corporation and its Subsidiaries are subject to a number of risks. The risks and uncertainties described below are all of the significant risks that management of the Corporation is aware of and believe to be material to the business and results of operations of the Corporation. When reviewing forward-looking statements and other information contained in this annual information form, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect future results of the Corporation. The Corporation operates in a regulated and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management of the Corporation to predict all risk factors or the impact of such factors on the business of the Corporation. The Corporation assumes no obligation to update or revise these risk factors or other information contained in this annual information form to reflect new events or circumstances, except as may be required by law.

Strategic Risks

Management of Growth

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

Conflicts of Interest

Certain of the directors and officers of the Corporation and its Subsidiaries are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Corporation and/or its Subsidiaries and as officers and directors of such other companies.

Competition

The Corporation faces intense competition from other companies in the cannabis industry, including independent cannabis retailers, some of which have longer operating histories, more financial resources and more manufacturing and marketing experience. The Corporation expects to face additional competition from new market entrants. The Corporation will also face competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid retail licence. If the number of users of cannabis in Canada increases, the demand for products will increase and the Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

Price Compression in the Cannabis Industry

It is expected that the number of licenced producers will increase to continue to meet the demand of the recreational market, which could negatively impact the Corporation's market share and demand for its products. The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Corporation and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Corporation operates. Over the past year the cannabis industry has experienced, and continues to experience, price compression, which may adversely impact the Corporation'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 Corporation 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 Corporation'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 Corporation 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 Corporation. 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 orther 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 Corporation'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 Corporation's business, operations and financial condition.

Growth Strategy and Expansion of Operations

The Corporation'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 Corporation'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. If the Corporation is unable to execute, and achieve the intended economic benefits from, its expansion strategy, there could be a material adverse effect on the Corporation's business, prospects, financial condition and results of operations.

Failure to Develop and Market New Products

The cannabis industry is in its early stages of development and it is likely that the Corporation and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Corporation may need to expend significant amounts of capital in order to successfully develop, and generate revenues from, new products. The Corporation may also be required to obtain additional regulatory approvals from Health Canada, the MLLC, the LGCA, the SLGA, the AGLC, the BCLDB, the OCS, and the NLC, and other regulatory authorities, which may take significant time. The Corporation may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Industry Risks

Contagious Disease and COVID-19

The Corporation's business could be adversely affected by the effects of a widespread global outbreak of contagious disease, including the COVID-19 pandemic. These types of outbreaks may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition, and results of operations of the Corporation.

In December 2019, COVID-19 emerged in Wuhan, China. Since then, it has spread and infections have been reported around the world. The World Health Organization has declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 pandemic and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions.

The continued spread of COVID-19, and emerging new strains thereof, and the measures taken by the governments of countries affected could disrupt the supply chains and the manufacture or shipment of the Corporation's products and adversely impact the Corporation's business, financial condition, results of operations and prospects. In addition, there can be no assurance that the Corporation will not lose members of its workforce or see its workforce hours reduced or incur increased medical costs as a result of these health risks.

Changes in Laws, Regulations and Guidelines

The Corporation'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, purchasing, and consumption of cannabis, and laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Management believes that the Corporation is currently in compliance with all such laws.

Any potential amendments to the *Cannabis Act* (Canada) or provincial cannabis legislation could have the following implications for the business of the Corporation:

(a) restrictions on the Corporation's ability to run its business as it currently operates or the imposition of new

restrictions on licensed producers, including restrictions on the products that may be produced or made available by licensed producers, such as restrictions on strains (including restrictions on potency) and types of products (oil, resin, concentrates, edible products containing cannabis extracts), and additional restrictions on advertising of the Corporation's products;

- (b) changes to legislation with the effect of reducing barriers to entry for new entrants to the industry, some of whom may have more financial resources and marketing expertise than the Corporation;
- (c) changes to limit the types of customers the Corporation can sell to (for example, age restrictions), to change the manner in which customers are licensed to purchase the Corporation's products, or which limit the amount of product that purchasers may buy, any of which may reduce the number of the Corporation's possible customers or the average amount of purchased product;
- (d) the implementation of additional taxes on the Corporation's products, which may reduce the demand of the Corporation's products and reduce the quantity of products sold by the Corporation; and
- (e) changes to the legislation to impose new requirements on licensed producers, including changes to the labeling requirements for the Corporation's products or the manner in which the products are required to be tested or approved for sale, which could increase the cost of producing the Corporation's products and could reduce the Corporation's earnings and margins.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed, it is not expected that any such changes would have an effect on the Corporation's operations that are materially different than the effect on similar-sized companies in the same business as the Corporation.

Global Economic, Political, and Social Conditions

The Corporation is subject to global economic, political and social conditions that may cause clients 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 behavior. The Corporation faces risks that may arise from financial difficulties experienced by suppliers or customers/clients, including the risk that customers/clients may face financial difficulties or may become insolvent, which could lead to an inability to obtain payment of accounts receivable that those patients may owe; the risk that key suppliers may face financial difficulties or may become insolvent, which could lead to disruption of the supply of cannabis products; and the inability of customers/clients and/or suppliers to obtain credit financing to finance purchases of products and raw materials used to grow or build those products. Should any of these risks occur, they could have a material adverse effect on the Corporation.

Risks Related to the Agricultural Business

The Corporation's business involves the growing of medical and recreational use cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as risks related to crop damage from insects, plant diseases and similar agricultural risks. Although the Corporation grows its products indoors in Grow Pods under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

The Corporation's cannabis growing operations consume considerable energy, making the Corporation vulnerable to rising energy costs. Rising or volatile energy costs may adversely affect the ability of the Corporation to operate profitably.

Product Transportation Cost and Disruptions

The Corporation is dependent on courier services for distribution of its cannabis products due to the perishable and premium nature of such products. Any prolonged disruption of a courier service could have an adverse effect on the

financial condition and results of operations of the Corporation. Rising costs associated with the courier services used by the Corporation to ship its products may also adversely impact the business of the Corporation.

Due to the nature of the Corporation's products, security of the products during transportation to and from the Corporation's facilities is of the utmost concern. A breach of security during transport or delivery could have a material adverse effect on the Corporation's business, financial condition and results of operations. 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 Delta 9 Bio-Tech's ability 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 upon consumer perception regarding the safety, efficacy and quality of cannabis. Consumer perception of the Corporation'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. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. 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. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or having merit, could have a material adverse effect on the Corporation, the demand for the Corporation's products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Corporation's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect.

Brand Risks

The Corporation's success is reliant on, among other things, the value of the Corporation's brands, and the failure to preserve their value and relevance could have a negative impact on the Corporation's results of operations. The Corporation must preserve, enhance and leverage the value of the Corporation's brands. Brand value is based in part on consumer tastes, preferences and perceptions with respect to a variety of factors. Consumer acceptance of the Corporation's brands may be influenced by or subject to change for a variety of reasons. For example, adverse publicity associated with the Corporation's business practices may drive popular opinion against the Corporation's brands. If the Corporation is unsuccessful in addressing any such adverse perceptions, the Corporation's brands and results of operations may suffer.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Corporation's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Corporation's products alone, or in combination with other medications or substances, could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, included inadequate instructions for use, or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation. There can be no assurances that the Corporation will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability claims could prevent or inhibit the commercialization of the potential products of the Corporation.

Shelf Life of Inventory

The Corporation holds finished goods in inventory and its inventory has a shelf life. Finished goods in the Corporation's inventory include dried cannabis and cannabis oil products. The Corporation follows Health Canada's testing requirements for product release, and re-tests its inventory for information purposes. Based on such testing results and management's experience, the Corporation believes that there is no significant change in product composition during a 12-month storage under its current vault conditions. The Corporation's typical turnover rate for inventory varies between 2 weeks and 6 weeks of final production, however this turnover rate may change and its inventory may reach its expiration date and may not be sold. Even though management of the Corporation regularly reviews the amount of inventory on hand and the remaining shelf life and estimates the time required to manufacture and sell such inventory, write-downs of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects, interactions with other substances, packaging safety, and inadequate or inaccurate labeling disclosure. If any products of the Corporation are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of such recall and any legal proceedings that might arise in connection with such recall. Further, the Corporation may lose a significant number of future sales due to reputational damage, and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Corporation has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's significant brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the products of the Corporation, and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Operational Risks

Regulatory Risks

The activities of the Corporation 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 Corporation's ability to obtain and retain necessary licensing and approvals for the production and sale of its products. The Corporation cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain, necessary regulatory approvals will significantly delay the development of the Corporation's markets and products, and could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Reliance on Licenses and Governmental Authorizations

The Corporation's ability to produce, store, and sell cannabis is dependent on its Health Canada License, provincial distribution licenses and authorizations and retail licenses. The Corporation's failure to comply with the requirements of the Health Canada License and/or the Corporation's failure to comply with the requirements of the provincial regulatory authorities with respect to distribution licenses and authorizations and retail licenses, or any failure to maintain the Health Canada License, provincial distribution licenses and authorizations or retail licenses in good standing, will have a material adverse impact on the business, financial condition and operating results of the Corporation.

The Corporation will incur ongoing costs and obligations related to compliance with the Health Canada License, provincial distribution license and authorizations and retail licenses. Failure to comply may result in additional costs

for corrective measures, penalties or restrictions on the Corporation's proposed operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's proposed operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the proposed business, financial condition and operating results of the Corporation.

The Health Canada License is set to expire on August 22, 2027, and although the Corporation believes that Delta 9 Bio-Tech will continue to meet all of the requirements to renew the Health Canada License, there can be no guarantee that Health Canada will extend or renew the Health Canada License. Should Health Canada not extend or renew the Health Canada License, or should it renew the Health Canada License on different terms, the business, financial condition and results of the operations of the Corporation could be materially adversely affected.

Retail Regulation

The retail and distribution model in each province and territory in Canada will have an impact on the Corporation. 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 Corporation's retail network depends, among other things, on the Corporation's ability to secure desirable locations on terms acceptable to the Corporation. The Corporation 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 Corporation's retail locations will continue to be attractive, or that additional retail storefronts can be located in acceptable locations. Also, there is no guarantee that the property leases in respect of prospective retail locations can be established on terms acceptable to the Corporation, or at all, and that property leases in respect of existing retail locations will be renewed or that suitable alternative locations can be obtained. It is possible that the locations or economic conditions where retail locations are located could decline in the future, resulting in reduced sales in those locations. There is no assurance that future sites will produce the same results as past sites.

Constraints on Marketing

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

Effectiveness of Quality Control Systems

The quality and safety of the Corporation's products are critical to the success of its business and operations. As such, it is imperative that the Corporation'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 Corporation 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 Corporation.

Reliance on the Delta Facility and Expansion Facility

The Corporation's activities and resources have been primarily focused on the Delta Facility and the Expansion Facility, located in Winnipeg, Manitoba, and the Corporation expects to continue to be focused on operations at the Delta Facility and the Expansion Facility. Adverse changes or developments affecting the Delta Facility and the Expansion Facility, including any maintenance requirements of, or material damage or destruction to, the Delta

Facility and the Expansion Facility, could have a material and adverse effect on the business, financial condition and prospects of the Corporation.

Reliance on Management

The success of the business of the Corporation 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 Corporation.

Further, as a licensed producer, Delta 9 Bio-Tech's key personnel are subject to a security clearance by Health Canada. Under the ACMPR, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of Delta 9 Bio-Tech's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances, or that new personnel who require a security clearance will be able to obtain one. A failure by a key person to maintain or renew his or her security clearance could result in a material adverse effect on Delta 9 Bio-Tech's business, financial condition and results of operations. In addition, if a key person leaves Delta 9 Bio-Tech, and Delta 9 Bio-Tech is unable to find a suitable replacement that has a security clearance required by the ACMPR (or other applicable legislation at such time) in a timely manner, or at all, there could be a material adverse effect on Delta 9 Bio-Tech's business, financial condition and results of operations.

Reliance on Key Inputs

The Corporation'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 economics of the supply chain for these key inputs could materially impact the Corporation's operations, financial condition, and operating results. Further, some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Corporation might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Corporation in the future. Any inability to secure required supplies and services, or to do so on acceptable terms, could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

Dependence on Suppliers and Skilled Labour

The ability of the Corporation 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 Corporation will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have a material adverse effect on the financial results and operations of the Corporation.

Variable Revenues and Earnings

The revenues and earnings of the Corporation may fluctuate from quarter to quarter, which could affect the market price of the Common Shares and other securities. The Corporation'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 Corporation's competitors, possible delays in production or shipment of products, concentration of the Corporation's customer base, and possible delays or shortages in critical inputs. Any of the foregoing factors could cause significant variations to the Corporation's revenues, gross margin and earnings in any given quarter.

Operating Risk and Insurance Coverage

The Corporation has insurance to protect its assets, operations, and employees. While the Corporation 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 Corporation is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Corporation's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Corporation were to incur substantial liability and such damages

were not covered by insurance or were in excess of policy limits, or if such liability was incurred at a time when they are unable to obtain liability insurance, the business, results of operations and financial condition of the Corporation could be materially adversely affected.

TSX Restrictions on Business

The Corporation is subject to restrictions from the TSX which may constrain the Corporation's ability to expand its business internationally. The Corporation 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 Corporation's business.

Accounting Policies and Internal Controls

The Corporation prepares its financial reports in accordance with International Financial Reporting Standards. 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 Corporation. Significant accounting policies are described in more detail in the Corporation's audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. The Corporation has implemented and continues to analyze its internal control systems for financial reporting. Although the Corporation believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Corporation cannot provide absolute assurance in this regard.

Cyber Security and Privacy Risks

The Corporation 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 Corporation's ability to operate its business. Cyber-attacks or other breaches of network or IT systems security may cause disruptions to the Corporation's operations. A major security breach could result in the loss of critical data, theft of intellectual property, disclosure of confidential information, customer claims and litigation, reduced revenues due to business interruption, costs associated with remediation of infrastructure and systems, class action and derivative action lawsuits and damage to the Corporation's reputation. Furthermore, the prevalence and sophistication of these types of threats are increasing, the Corporation's security measures may not be sufficient to prevent the damage that such threats can inflict on the Corporation's assets and information, and the Corporation's insurance may not be adequate to fully cover applicable costs and losses.

The Corporation collects and stores personal information about its ACMPR patients and retail customers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) ("PIPEDA") protect medical records and other personal health information by limiting their use, and disclosure of, to the minimum level reasonably necessary to accomplish the intended purpose. If the Corporation was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of ACMPR patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities,

harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Environmental and Employee Health and Safety Regulations

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

Financial Risks

Additional Financing Requirements

In order to execute its anticipated growth strategy, the Corporation 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 Corporation when needed or on terms which are acceptable. The Corporation's inability to raise additional financing could limit the Corporation's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects.

If additional funds are raised through further issuances of equity or securities convertible into equity, existing Shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities.

Capital Lending Markets

As a result of recent economic uncertainties in the cannabis industry, the Corporation may have reduced access to bank debt and to equity. As future capital expenditures will be financed out of funds generated from operations, bank borrowings, if available, and possible issuances of debt or equity securities, the Corporation's ability to fund future capital expenditures is dependent on, among other factors, the overall state of lending and capital markets and investor and lender appetite for investments in the cannabis industry, generally, and the Corporation's securities in particular. To the extent that external sources of capital become limited, unavailable or available only on onerous terms, the Corporation's ability to invest and to maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Unprofitable Business Operations

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

Limitations on Forecasting

The Corporation 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. If expected demand for its products fails to materialize due to competition, technological change or other factors, the business, results of operations and financial condition of the Corporation could be materially adversely affected.

Commodity Taxes and Government Mark-Ups

Changes in tax rates or government mark-ups, and their corresponding effect on product pricing, could affect sales and/or earnings. If taxes or government mark-ups increase and the Corporation increases prices by the full amount of the tax or the mark-up, as the case may be, sales volumes could be adversely impacted. If the Corporation is not able to pass the full amount of the tax or mark-up increase on to consumers, then gross margins and earnings could be adversely impacted. There can be no assurance that governments will not change tax or mark-up rates in the future.

Litigation

The Corporation and/or its Subsidiaries may become party to litigation from time to time, in the ordinary course of business, which could adversely affect its business. Should any such litigation be determined against the Corporation and/or its Subsidiaries, such a decision could adversely affect its ability to continue operating and the market price for the Common Shares. Even if successful, such litigation would require the Corporation and/or its Subsidiaries to expend significant time and money.

Price Fluctuation of Securities

The market price of the listed securities of the Corporation may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Corporation 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 Corporation and its Subsidiaries; general economic conditions; legislative changes; and other events and factors outside of the Corporation'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 Corporation.

Short Sales

Any downward pressure on the price of Common Shares could encourage short sales by third parties. In a short sale, a prospective seller borrows shares from a shareholder or broker and sells the borrowed shares. The prospective seller anticipates that the share price will decline, at which time the seller can purchase shares at a lower price for delivery back to a lender. The seller profits when the share price declines because it is purchasing shares at a price lower than the sale price of the borrowed shares. For the Corporation, short sales of Common Shares could place downward pressure on the market price of the Common Shares by increasing the number of Common Shares being sold, which could lead to a decline in the market price of the Common Shares.

As it is in the short seller's interest for the market price to decline, some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, its business practices and prospects and similar matters calculated to or which may create negative market momentum, which may permit them to obtain profits for themselves as a result of selling the shares short. Issuers whose securities have historically had limited trading volumes and/or have been susceptible to relatively high volatility levels can be particularly vulnerable to such short seller attacks. In such a case, the issuer may have very little recourse against the short seller. The publication of any such commentary regarding the Corporation in the future may bring about a temporary, or possibly long term, decline in the market price of the Common Shares. No assurances can be made that declines in the market price of the Common Shares will not occur in the future, in connection with such commentary by short sellers or otherwise. When the market price of a company's stock drops significantly, it is not unusual for shareholder lawsuits to be filed or threatened against the Corporation and its board of directors and for the Corporation to suffer reputational damage. Such lawsuits could cause the Corporation to incur substantial costs and divert the time and attention of the Corporation's board of directors and management. Reputational damage may also affect the Corporation's ability to maintain and develop business relationships, which could likewise adversely affect the Corporation's earnings. Negative reports issued by short sellers could also negatively impact the Corporation's ability to attract and retain employees.

Dilution

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

Dividends

The Corporation has no earnings or dividend record, and does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Corporation would be subject to tax and, potentially, withholdings.

DIVIDENDS AND DISTRIBUTIONS

Neither the Corporation nor any of its Subsidiaries has paid dividends in the past and the Corporation has no present intention of paying dividends in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the board of directors and will be made based on the Corporation's earnings, financial requirements and other conditions deemed relevant by the board of directors. There are currently no restrictions on the ability of the Corporation to pay dividends except as set out under the BCBCA. Holders of Common Shares are entitled to an equal share in any dividends declared and paid on the Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

As at December 31, 2022, the following securities in the capital of the Corporation were outstanding:

- (a) 150,257,006 Common Shares;
- (b) One (1) \$10,000,000 principal amount Sundial Debenture;
- (c) 5,227,273 2020 Warrants issued under the 2020 Equity Unit Offering, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$0.70 until December 21, 2023 subject to certain adjustment provisions;
- (d) 8,800,027 2022 Warrants issued under the 2022 Equity Unit Offering, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$0.255 until June 16, 2025, subject to certain adjustment provisions;
- (e) 616,002 2022 Broker Warrants issued under the 2022 Equity Unit Offering, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$0.22 until June 16, 2025;
- (f) 731,818 2020 Broker Warrants issued under the 2020 Equity Unit Offering, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$0.55 until December 21, 2023;
- (g) 2,230,921 Options each exercisable to acquire one Common Share at an exercise price of \$0.55 until November 13, 2024. The Options vest over twelve months, with 50% vesting every six months from the date of grant;
- (h) 885,947 Options each exercisable to acquire one Common Share at an exercise price of \$0.60 until November 27, 2025. The Options vest over twelve months, with 50% vesting every six months from the date of grant;
- (i) 13,750 RSUs issued on November 27, 2020, each redeemable into one Common Share;
- (j) 752,725 RSUs issued on September 15, 2021, each redeemable into one Common Share. These RSUs vest over 12 months with 50% vesting after six months and 50% vesting after 12 months; and
- (k) 5,678,216 RSUs issued on July 22, 2022, each redeemable into one Common Share. 50% of these RSUs vested on September 30, 2022 and 50% will vest on March 31, 2024.

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without par value. Holders of Common Shares are entitled to one vote for each Common Share held at all meetings of Shareholders, to receive dividends if,

as and when declared by the board of directors of the Corporation, and to participate rateably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation. The Common Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of Common Shares to contribute additional capital, and no restrictions on the issuance of additional securities by the Corporation. There are no restrictions on the repurchase or redemption of Common Shares by the Corporation except to the extent that any such repurchase or redemption would render the Corporation insolvent.

Sundial Debenture

On March 30, 2022, the Corporation completed a private placement offering of the Sundial Debenture to Sundial pursuant to the Sundial Convertible Debenture Offering. For details with respect to the Sundial Debenture and the Sundial Convertible Debenture Offering, see "General Development of the Business – Sundial Convertible Debenture Offering".

The foregoing is only a summary of the salient features of the Sundial Debenture, and is qualified in its entirety by reference to the actual terms and conditions of the Sundial Debenture.

2020 Warrants

The 5,227,273 2020 Warrants issued under the 2020 Equity Unit Offering are governed by the terms and conditions of the 2020 Warrant Indenture. Each 2020 Warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one Common Share at an exercise price of \$0.70 until 5:00 p.m. (EST) on December 21, 2023, subject to adjustment in certain customary events, after which time the 2020 Warrants will expire.

The 2020 Warrant Indenture provides for adjustment in the class and/or number of securities issuable upon the exercise of the 2020 Warrants and/or exercise price per Common Share in the event of the following additional events: (i) reclassifications of the Common Shares; (ii) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or (iii) the transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

The 2020 Warrant Indenture contains covenants that, during the period in which the 2020 Warrants are exercisable, it shall give notice to the Warrant Agent and to the holders of the 2020 Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the 2020 Warrants or the number of Common Shares issuable upon exercise of the 2020 Warrants, at least 14 days prior to the record date of such event, if any.

The 2020 Warrant Indenture provides that, from time to time, the Corporation may amend or supplement the 2020 Warrant Indenture for certain purposes, without the consent of the holders of the 2020 Warrants, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the 2020 Warrant Indenture that would prejudice the interests of the holders of 2020 Warrants may only be made by "extraordinary resolution", which is defined in the 2020 Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of 2020 Warrants at which there are holders of 2020 Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding 2020 Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of the holders of 2020 Warrants present in person or by proxy, and passed by the affirmative vote of the holders of 2020 Warrants representing not less than 66 ½% of the aggregate number of all the then outstanding 2020 Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of 2020 Warrants representing not less than 66 ½% of the aggregate number of all the then outstanding 2020 Warrants.

The foregoing is only a summary of the salient features of the 2020 Warrant Indenture, and is qualified in its entirety by reference to the actual terms and conditions of the 2020 Warrant Indenture.

2022 Warrants

The 8,800,027 2022 Warrants issued under the 2022 Equity Unit Offering are governed by the terms and conditions of the 2022 Warrant Indenture. Each 2022 Warrant entitles the holder to acquire, subject to adjustment in certain circumstances, one Common Share at an exercise price of \$0.255 until 5:00 p.m. (EST) on June 16, 2025, subject to adjustment in certain customary events, after which time the 2022 Warrants will expire.

The 2022 Warrant Indenture provides for adjustment in the class and/or number of securities issuable upon the exercise of the 2022 Warrants and/or exercise price per Common Share in the event of the following additional events: (i) reclassifications of the Common Shares; (ii) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or (iii) the transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

The 2022 Warrant Indenture contains covenants that, during the period in which the 2022 Warrants are exercisable, it shall give notice to the Warrant Agent and to the holders of the 2022 Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the 2022 Warrants or the number of Common Shares issuable upon exercise of the 2022 Warrants, at least 14 days prior to the record date of such event, if any.

The 2022 Warrant Indenture provides that, from time to time, the Corporation may amend or supplement the 2022 Warrant Indenture for certain purposes, without the consent of the holders of the 2022 Warrants, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the 2022 Warrant Indenture that would prejudice the interests of the holders of 2022 Warrants may only be made by "extraordinary resolution", which is defined in the 2022 Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of 2022 Warrants at which there are holders of 2022 Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding 2022 Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum) and passed by the affirmative vote of the holders of 2022 Warrants present in person or by proxy, and passed by the affirmative vote of the holders of 2022 Warrants representing not less than 66 ½% of the aggregate number of all the then outstanding 2022 Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of 2022 Warrants representing not less than 66 ½% of the aggregate number of all the then outstanding 2022 Warrants.

The foregoing is only a summary of the salient features of the 2022 Warrant Indenture, and is qualified in its entirety by reference to the actual terms and conditions of the 2022 Warrant Indenture.

Options

All Options are issued pursuant to the Stock Option Plan. The purpose of the Stock Option Plan is to attract and motivate Directors, senior officers, employees, management company employees, consultants and others providing services to the Corporation and its Subsidiaries, and thereby advance the Corporation's interests, by affording such persons with an opportunity to acquire an equity interest in the Corporation, through the issuance of Options.

The Stock Option Plan is a "rolling" incentive stock option plan permitting the grant of Options to purchase up to the number of Common Shares that is equal to 10% of the issued Common Shares at the time of the Option grant.

The Stock Option Plan authorizes the Board to grant Options to optionees on the following terms:

- (a) the aggregate number of Common Shares which may be issued pursuant to options granted under the Stock Option Plan and the PRSU Plan, unless otherwise approved by Shareholders, may not exceed that number which is equal to 10% of the Common Shares issued and outstanding at the time of the grant;
- (b) the number of Common Shares subject to each option will be determined by the board of directors of the Corporation, provided that the aggregate number of Common Shares reserved for issuance pursuant to options granted to insiders under the Stock Option Plan and the PRSU Plan, may not exceed 10% of the issued Common Shares, calculated as at the date of grant of the Option, including all other Common Shares under options to such person at that time;

- (c) the exercise price of an Option will not be less than the market price of the Common Shares at the time the Options are granted, being the most recent closing price of the Common Shares prior to the date of the grant;
- (d) Options may be exercisable for a period of up to ten years from the date of grant;
- (e) Options are non-assignable and non-transferable. The Options can only be exercised by the optionee as long as the optionee remains an eligible optionee pursuant to the Stock Option Plan or within a period of not more than 90 days after ceasing to be an eligible optionee (30 days in the case of a person engaged in investor relations activities) or, if the optionee dies, within one year from the date of the optionee's death; and
- (f) on the occurrence of a takeover bid, issuer bid or going private transaction, the Board will have the right to accelerate the date on which any option becomes exercisable.

The foregoing is only a summary of the salient features of the Stock Option Plan, and is qualified in its entirety by reference to the actual terms and conditions of the Stock Option Plan, a copy of which is available on SEDAR at www.sedar.com.

Notice of Options granted under the Stock Option Plan must be given to the TSX on a monthly basis. Any amendments to the Stock Option Plan must also be approved by the TSX and, if necessary, by the Shareholders prior to becoming effective.

As at December 31, 2022, there were 3,116,868 Options outstanding under the Stock Option Plan.

RSUs and PSUs

All RSUs and PSUs are issued pursuant to the PRSU Plan. The purpose of the PRSU Plan is to advance the interests of the Corporation by encouraging equity participation in the Corporation through the acquisition of Common Shares.

The PRSU Plan authorizes the Board to grant RSUs to optionees on the following terms:

- (a) the aggregate number of Common Shares which may be reserved for issuance pursuant to awards granted under the PRSU Plan and Stock Option Plan, unless otherwise approved by Shareholders, may not exceed that number which is equal to 10% of the Common Shares issued and outstanding at the time of the grant;
- (b) the aggregate number of Common Shares reserved for issuance pursuant to awards granted to insiders under the PRSU Plan and the Stock Option Plan, may not exceed 10% of the issued Common Shares, calculated as at the date of grant of the Option, including all other Common Shares under options to such person at that time; and
- (c) the aggregate number of Common Shares reserved for issuance pursuant to options granted to insiders under the PRSU Plan and the Stock Option Plan, may not exceed 10% of the issued Common Shares, calculated as at the date of grant of the Option, including all other Common Shares under options to such person at that time.

The foregoing is only a summary of the salient features of the PRSU Plan, and is qualified in its entirety by reference to the actual terms and conditions of the PRSU Plan, a copy of which is available on SEDAR at www.sedar.com.

Notice of RSUs and/or PSUs granted under the PRSU Plan must be given to the TSX on a monthly basis. Any amendments to the PRSU Plan must also be approved by the TSX and, if necessary, by the Shareholders prior to becoming effective.

As at December 31, 2022, there were 6,444,691 RSUs and Nil PSUs outstanding under the PRSU Plan.

Credit Facility

On March 30, 2022, the Corporation obtained its Credit Facilities. For more information on the Credit Facilities, see "General Development of the Business – Credit Facility".

MARKET FOR SECURITIES

Common Shares

The following is a summary of the price ranges and volumes of the Common Shares traded on the TSX under the trading symbol "DN" from January 1, 2022 to December 31, 2022:

Period	Low	High	Volume
January 2022	\$0.285	\$0.34	1,903,097
February 2022	\$0.25	\$0.315	2,501,944
March 2022	\$0.255	\$0.295	1,574,543
April 2022	\$0.27	\$0.335	1,697,788
May 2022	\$0.22	\$0.27	1,414,818
June 2022	\$0.18	\$0.26	2,005,417
July 2022	\$0.135	\$0.18	1,093,087
August 2022	\$0.155	\$0.19	807,980
September 2022	\$0.105	\$0.165	1,777,628
October 2022	\$0.11	\$0.135	1,278,679
November 2022	\$0.08	\$0.13	1,868,779
December 2022	\$0.055	\$0.10	3,542,836

Note:

2019 Convertible Debentures

The following is a summary of the price ranges and volumes of the 2019 Convertible Debentures traded on the TSX under the trading symbol "DN.DB" from January 1, 2022 to July 26, 2022, the date that the Corporation repaid the 2019 Convertible Debentures:

Period	Low	High	Volume
January 2022	\$98.50	\$99.00	390
February 2022	\$99.00	\$99.00	2,400
March 2022	\$99.00	\$100.00	13,550
April 2022	\$99.00	\$99.50	650
May 2022	\$99.50	\$100.00	11,440
June 2022	\$100.00	\$100.00	50
July 2022 (July 1 to July 26, 2022)	\$100.00	\$100.00	0

2019 Warrants

⁽¹⁾ The Common Shares are also listed for trading on the OTCQX under the trading symbol "DLTNF".

The following is a summary of the price ranges and volumes of the 2019 Warrants traded on the TSX under the trading symbol "DN.WT.A" from January 1, 2022 to July 17, 2022, the date that the 2019 Warrants expired:

Period	Low	High	Volume
January 2022	\$0.05	\$0.05	236,200
February 2022	\$0.035	\$0.035	6,000
March 2022	\$0.005	\$0.01	143,000
April 2022	N/A	N/A	N/A
May 2022 N/A		N/A	N/A
June 2022	N/A	N/A	N/A
July 2022 (July 1, 2022 to July 17, 2022)	N/A	N/A	N/A

PRIOR SALES

During the year ended December 31, 2022, the Corporation issued the following securities not listed or quoted on an exchange or marketplace:

- (a) On March 30, 2022, the Corporation issued the Sundial Debenture to the Sundial Convertible Debenture Offering. The Sundial Debenture is convertible by Sundial into Common Shares at a conversion price of \$0.15 per Conversion Share, representing a 20.0% premium to the issuance price of September 2022 Private Placement.
- (b) On July 22, 2022, the Corporation granted 6,661,278 RSUs to certain officers and employees of the Corporation in accordance with the PRSU Plan. Each RSU is redeemable into one Common Share of the Corporation for period of two years from the date of grant. 3,330,639 of the RSUs vested on September 30, 2022. 3,330,639 of the RSUs vest on March 31, 2023.
- (c) On September 15, 2022, the Corporation granted 2,885,000 RSUs to certain Directors of the Corporation in accordance with the PRSU Plan. Each RSU is redeemable into one Common Share of the Corporation for period of two years from the date of grant. All of the RSUs vested immediately.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER

Management of the Corporation is not aware of any Common Shares held in escrow or that are subject to a contractual restriction on transfer as at December 31, 2022.

DIRECTORS AND OFFICERS

The Directors and officers of the Corporation are set forth in the table below. The term of office of each Director will expire at the next annual meeting of Shareholders. For more information, see "Biographies of Directors and Officers" below.

Name and Municipality of Residence	Position held with the Corporation	Director of the Issuer since	Principal Occupation for the Preceding Five Years
John William (John) Arbuthnot IV ⁽³⁾ Winnipeg, MB	CEO and Director	October 31, 2017	CEO of the Corporation since October 2017, Co-founder of Delta 9 Bio-Tech and Senior Vice-President and Responsible Person in Charge of Delta 9 Bio-Tech since 2013.

Name and Municipality of Residence	Position held with the Corporation	Director of the Issuer since	Principal Occupation for the Preceding Five Years
James Lawson Winnipeg, MB	CFO and Secretary	September 17, 2018	CFO since September 2018, and Controller of the Corporation since October 31, 2017. Previously Controller for Delta 9 Bio-Tech since July 2013.
Nitin Kaushal ⁽¹⁾⁽²⁾ Richmond Hill, ON	Chair and Director	October 31, 2017	Chairman of the Board since June 2021. Managing Director, Corporate Finance, of PWC Canada from April 2012 to 2020. Currently serves as President of Anik Capital Corp., a family holding company.
John William (Bill) Arbuthnot III Winnipeg, MB	Director	October 31, 2017	President of the Corporation from October 2017 to June 2021, Co-founder of Delta 9 Bio-Tech, President of Delta 9 Bio-Tech from July 2012 to June 2021.
Hugh Aird ⁽¹⁾⁽²⁾⁽³⁾ Toronto, ON	Director	September 7, 2018	Corporate Director since 2008 and Vice Chairman for Edelman Canada from 2007-2012.
Stuart Starkey ⁽¹⁾⁽²⁾⁽³⁾ Winnipeg, MB	Director	December 19, 2022	Co-founder of Community of Big Hearts and former President of Two Small Men with Big Hearts from January 2012 to January 2022.

Notes:

- (1) Independent Director.
- (2) Member of the Audit Committee.
- (3) Member of the Governance, Nominating and Compensation Committee

Biographies of Directors and Officers

John William (John) Arbuthnot IV

Mr. Arbuthnot IV, age 33, has been the Chief Executive Officer and a Director of the Corporation since October 2017. Mr. Arbuthnot IV is responsible for the day to day management and operation of the Corporation. He is also a cofounder and has been the Senior Vice-President and Responsible Person in Charge of Delta 9 Bio-Tech since 2013, where he is responsible for management of Delta 9's activities under its licenses, finances, strategy and regulatory compliance.

James (Jim) Lawson

Mr. Lawson, age 71, has been the Chief Financial Officer of the Corporation since September 2018. He has also been the Controller for Delta 9 Bio-Tech since July 2013.

Mr. Lawson has over 30 years of experience as a corporate accountant, and has held a variety of positions at public chartered accounting firms, including for Imani Consulting Group Inc. from 2009 to 2017. He also holds a Bachelor of Arts degree from the University of Manitoba.

Nitin Kaushal

Mr. Kaushal, age 57, has been a Director of the Corporation since October 2017. Mr. Kaushal currently serves as President of Anik Capital Corp., a family holding company.

Mr. Kaushal has over 36 years of finance and investment experience with a focus on the cannabis and life sciences industries. Over the course of his career, Mr. Kaushal has worked in senior roles with several Canadian investment banks, including PWC Corporate Finance Inc., Desjardins Securities Inc., Orion Securities Inc., Vengate Capital Partners Company, HSBC Securities Inc., Medwell Capital Corp., and Gordon Capital, and has held various roles within the private equity/venture capital industry. In addition, he has sat on the boards of a number of public and private companies, including a number of cannabis companies including High Tide Inc. Mr. Kaushal holds a Bachelor

of Science (Chemistry) degree from the University of Toronto and is a Chartered Accountant CPA-CA and holds his CF Corporate Finance Qualification.

John William (Bill) Arbuthnot III

Mr. Arbuthnot III, age 68, has been a Director of the Corporation since October 2017. He was also the Chairman and President of the Corporation from October 2017 to June 2021 and is a co-founder and was the President of Delta 9 Bio-Tech from July 2012 to June 2021. Mr. Arbuthnot has over 33 years of experience in the technology industry, having served as President of Softech Consulting, a Winnipeg-based consulting firm from 1985 to 2012.

Hugh Aird

Mr. Aird, age 69, has been a Director of the Corporation since September 2018. Mr. Aird has over 40 years of senior business experience within Canada's investment banking community including having served as Chairman of Trilon Financial Corporation from 1985-1995, Vice Chairman and Director Merrill Lynch Canada, Vice Chairman and Director Midland Walwyn Inc. from 1995-2000, President and CEO Berenson Minella Inc. Canada from 2001-2003 and Vice Chairman Edelman Canada from 2007-2012. He presently serves as Senior Partner, Lonsdale Corporation and is a Director of 15 Brookfield Corporation private entities. Over his career he has completed over 20 M&A transactions and more than 100 financing transactions.

Stuart Starkey

Mr. Starkey, age 40, has over the past 15 years been an entrepreneur, para-athlete, and non-profit founder. As President of Two Small Men Canada, Mr. Starkey grew a national moving chain to achieve corporate and franchise revenues of \$35 Million per year with over 400 employees. As co-founder of Mighty Moving, Mr. Starkey grew the cross-docking and logistics business to service dozens of large chain retailers, with offices across Alberta. He has since successfully exited both Two Small Men Canada and Mighty Moving. During his tenure as an entrepreneur, Mr. Starkey realized the importance of businesses giving back to their community. In 2018, Mr. Starkey founded the Community of Big Hearts; a social enterprise with the purpose of getting businesses and people more involved within their communities by making volunteering simple and engaging.

Aggregate Ownership of Securities

As at December 31, 2022, the Directors and officers of the Corporation beneficially owned, directly or indirectly, or exercised control and direction over, an aggregate of 40,473,085 Common Shares, representing 26.9% of the issued and outstanding Common Shares.

Corporate Cease Trade Orders or Bankruptcies

For the purposes of this section, "Order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for a period of more than 30 consecutive days.

Other than as set forth below, no current Director or officer of the Corporation or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is, or has been within the past ten years, a director, trustee or executive officer of any issuer that:

- (a) was subject to an Order that was issued while the Director or executive officer was acting in the capacity as a director, chief executive officer or chief financial officer;
- (b) was subject to an Order that was issued after the Director or executive officer ceased to be a director, chief

- executive officer or chief financial officer and which resulted in an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (c) within one year of that person ceasing to act in the capacity as a Director or executive officer of the issuer, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No current Director or officer of the Corporation or Shareholder who holds a sufficient number of securities of the Corporation to materially affect control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into any settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Individual Bankruptcies

No current Director or officer of the Corporation or Shareholder who holds a sufficient number of securities of the Corporation to materially affect control of the Corporation is, or has, within the ten years preceding the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

To the best of the knowledge of the Corporation, there are currently no known existing conflicts of interest between the Corporation or a Subsidiary and any Director or officer of the Corporation or a Subsidiary.

There may be potential conflicts of interest to which some or all of the Directors, officers, and insiders of the Corporation become subject in connection with the operations of the Corporation and situations may arise from time to time where some or all of the Directors, officers and insiders of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

Audit Committee

Audit Committee Charter

The Corporation has adopted a charter for the Audit Committee which sets out the composition of the Audit Committee as well as its responsibilities, duties, principles and procedures. The text of the charter of the Audit Committee is set out as Schedule "A" to this annual information form. The responsibilities and duties of the Audit Committee are set forth in the charter of the Audit Committee.

Composition

The Audit Committee is comprised of Nitin Kaushal, Hugh Aird and Stuart Starkey, each of whom is independent and financially literate within the meaning of NI 52-110.

Relevant Education and Experience

The Audit Committee is responsible for supervising the quality and integrity of the Corporation's financial reporting. According to the charter for the Audit Committee, each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. A person is generally considered "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements. In carrying out their responsibilities, the Audit Committee meets without management present with the Corporation's auditor, the Chief Financial Officer of the Corporation and alone, when appropriate.

Reliance on Certain Exemptions

At no time in the year ended December 31, 2022, has the Corporation relied on any of the exemptions set forth in Section 2.4, Section 3.2, Section 3.3(2), Section 3.4, Section 3.5, Section 3.6 or Section 3.8 of NI 52-110. The Corporation has also not relied on any exemptions from NI 52-110 granted under Part 8 of NI 52-110.

Audit Committee Oversight

At no time in the year ended December 31, 2022 has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee must approve all non-audit services to be performed by the external auditor of the Corporation, subject to the provisions set forth in the charter of the Audit Committee attached hereto as Schedule "A".

External Auditor Service Fees

For the years ended December 31, 2022 and December 31, 2021, the auditors of the Corporation, Baker Tilly HMA LLP, has billed the following fees to the Corporation:

Fiscal Year	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
	(\$)	(\$)	(\$)	(\$)
2022	\$144,450	\$240,712	\$0	\$81,620
2021	\$110,696	\$85,600	\$14,980	\$62,578

The audit fees paid pertain to assurance related services for the Corporation's annual audit and quarterly reviews for these periods. The audit related fees paid pertain to the assurance services associated with the Corporation's securities offerings and accounting and advisory assistance throughout these periods. The tax related fees paid pertain to preparation of the Corporation's income tax filings. Other fees were paid for advisory services.

PROMOTERS

No person has been, within the two most recently completed financial years or during the current financial year, a promoter of the Corporation or any of its Subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of the Corporation is not aware of any material current or contemplated legal proceedings or regulatory actions to which the Corporation or its Subsidiaries is a party or of which any of their respective property is subject.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below or elsewhere in this annual information form, no transactions that have materially affected the Corporation or are reasonably expected to materially affect the Corporation have been carried out by the Corporation with related parties of the Corporation including Directors and executive officers, persons that beneficially own, control or direct, directly or indirectly, more than 10% of any class or series of securities of the Corporation or any associates or affiliates of such persons during the three most recently completed financial years of the Corporation or the current financial year.

Delta LOI and Expansion Facility Lease

On March 19, 2018, Delta 9 Bio-Tech entered into the Delta LOI with 6599362 to purchase from 6599362 the Expansion Properties, and the Delta LOI was amended pursuant to an amending agreement dated July 17, 2018. Pending completion of the purchase and sale of the Expansion Properties contemplated by the Delta LOI, Delta 9 Bio-Tech entered into the Expansion Facility Lease with 6599362 on March 19, 2018 to lease approximately 53,162 square feet of floor space in the Expansion Facility. For more details, see "Description of the Business - General - Production and Services - Property, Facility and Equipment".

Delta 9 Lifestyle Shareholder Advances

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 Convertible Notes provide that the debt represented by the 2018 Convertible Notes is convertible into Class A common shares of Delta 9 Lifestyle ("**Delta 9 Lifestyle Shares**"). 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, from time to time, 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 2018 Convertible Notes shall bear interest at 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 Delta 9 Lifestyle Shares at the price of \$60,000 per Delta 9 Lifestyle Share, subject to adjustments in accordance with the 2018 Convertible Notes. As of December 31, 2022, \$3,500,000 principal amount of the 2018 Convertible Notes have been exercised for conversion into 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 the September 30, 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 convert: (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, this conversion will be 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.

Retail Store Leases with 3981496 MB Inc.

The Corporation leases a property for one of its retail stores from 3981496 MB Inc., a company owned and controlled by the beneficial owner of 7217804, a part owner of Delta 9 Lifestyle. The rent for the lease is \$13,000 per month.

Interest Free Loan from Chief Executive Officer

On June 30, 2020, John William Arbuthnot IV, the Chief Executive Officer of the Corporation provided an unsecured, short-term, interest free loan of \$420,000 to the Corporation. The proceeds of the loan were used for general working capital purposes and the loan was repaid on August 25, 2020.

Senior Executive Credit Cards

During the financial year ended December 31, 2022, John William Arbuthnot III, the former President and Chairman and a Director of the Corporation and John William Arbuthnot IV, the Chief Executive Officer and a Director of the Corporation, used their personal credit cards to fund various corporate expenses of the Corporation. As of December 31, 2022, \$3,554 had been advanced from the Corporation.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada, at its principal offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

The following is a summary of the material contracts of the Corporation, other than contracts entered into in the ordinary course of business.

- (a) the Stock Option Plan;
- (b) the PRSU Plan;
- (c) the 2020 Warrant Indenture:
- (d) the 2021 Warrant Indenture;
- (e) Sundial Debenture;
- (f) Uncle Sam Purchase Agreement;
- (g) Credit Facilities; and
- (h) Equity Distribution Agreement.

Copies of these agreements are available for inspection at the offices of MLT Aikins LLP, counsel to the Corporation, located at 30th Floor, 360 Main Street, Winnipeg, Manitoba R3C 4G1 during normal business hours.

INTERESTS OF EXPERTS

Baker Tilly HMA LLP (formerly known as Collins Barrow HMA LLP) is the independent auditor who prepared the independent auditor's report for the consolidated annual financial statements of the Corporation, as at and for the year ended December 31, 2022 and December 31, 2021. Baker Tilly HMA LLP is independent with respect to the Corporation

within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Manitoba.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information, including Directors' and officers' remuneration and indebtedness, principal holders of the securities of the Corporation and securities authorized for issuance under compensation plans is contained in the management information circular of the Corporation dated May 20, 2022. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the financial year ended December 31, 2022.

SCHEDULE "A"

DELTA 9 CANNABIS INC. (the "Company")

AUDIT COMMITTEE CHARTER

1. Mandate

The audit committee will assist the board of directors (the "**Board**") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the company's business, operations and risks.

2. Composition

The audit committee will consist of a minimum of three directors.

2.1 Independence

A majority of the members of the audit committee must not be officers, employees or control persons of the Company. If the Company ceases to be a "venture issuer" as that term is defined in *National Instrument 52-110 – Audit Committees* ("NI 52-110"), then all of the members of the audit committee shall be free from any material relationship with the Company within the meaning of NI 52-110.

2.2 Financial Literacy of Committee Members

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. A person is generally considered "financially literate" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.3 Replacement of Committee Members

Any member of the audit committee may be removed or replaced at any time by the Board and automatically ceases to be a member of the audit committee upon ceasing to be a director.

The Board may fill vacancies on the audit committee by appointing another director to the committee. The Board will fill any vacancy if the membership of the audit committee is less than three directors. Whenever there is a vacancy on the audit committee, the remaining members may exercise all of the committee's powers as long as a quorum remains in office. Subject to the foregoing, the members of the audit committee will be appointed by the Board annually, and each member of the committee will remain on the committee until the next annual meeting of shareholders after his or her appointment or until his or her successor is duly appointed and qualified.

2.4 Chair

The Chair shall be responsible for leadership of the audit committee, including overseeing the scheduling and preparation of meetings, presiding over meetings, and making regular reports to the Board. The Chair will also regularly liaise with the Chief Executive Officer and Chief Financial Officer of the Company and the lead partner of the Company's external auditors.

3. Meetings

The audit committee will meet regularly at times necessary to perform the duties described in this Charter in a timely manner, but not less than four times a year. Meetings may be held at any time deemed appropriate by the committee. The audit committee may meet in person and/or by telephone or electronic means and, other than with respect to the review of the audited financial statements and the notes and Management's Discussion and Analysis relating to such financial statements with management and the independent auditor, may act by means of a written resolution signed by all members entitled to vote on the matter.

The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions, and will meet without management present at every regular meeting.

A majority of the members of the audit committee constitute quorum.

4. Roles and Responsibilities

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 External Audit

The external auditor shall report directly to the audit committee. The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

4.2 Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company;
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls;
- (c) review and discuss with management and the external auditor the nature and appropriateness of the Company's systems to identify, assess and mitigate significant business risks and discuss with the external auditor management's responses to the external auditor's advice regarding management and internal controls.

4.3 Financial Reporting

The audit committee shall review the Company's financial statements, Management's Discussion and Analysis ("MD&A") and other financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions;
- (b) review with management and the external auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements; and
- (c) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

Annual Financial Statements

- (a) review the Company's draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review the Company's MD&A respecting the annual reporting period prior to its release to the public.

Interim Financial Statements

- (a) review and approve the Company's interim financial statements prior to their release to the public; and
- (b) review the Company's MD&A respecting the interim reporting period prior to its release to the public.

Release of Financial Information

- (a) where reasonably possible, review and approve all other public disclosure, including news releases, containing financial information prior to its release to the public; and
- (b) periodically assess the procedures for the review of disclosure of financial information (other than that set forth under the headings "Annual Financial Statements" and "Interim Financial Statements" above) extracted or derived from the financial statements.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

Delegation of Authority

(a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided;
 - (ii) the Company or its subsidiary did not recognize the services as non-audit services at the time of the engagement; and
 - (iii) the services are promptly brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated by the audit committee.

Pre-Approval Policies and Procedures

- (a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the audit committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board;
- (f) review and approve hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;
- (g) review and update this Charter and receive approval of changes to this Charter from the Board; and

(h) review and discuss with management the appointment of the Chief Financial Officer of the Company and any other key financial executives of the Company and recommend qualified candidates to the Board, as appropriate.

4.6 Reporting Responsibilities

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. Resources and Authority of the Audit Committee

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

The audit committee shall have full access to all books, records, facilities and personnel of the Company in connection with the performance of its duties.

Nothing in this Charter is intended or construed to impose on any member of the audit committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject. Each member of the audit committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives financial and other information, and the accuracy of the information provided to the Company by such persons or organizations.

While the audit committee has the responsibilities and powers set forth in this Charter, it is not the duty of the committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with International Financial Reporting Standards in Canada and applicable rules and regulations, which duties are the responsibility of management and the external auditors.