



ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2023

Dated March 28, 2024

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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 a debenture unit offering of the Corporation completed on July 17, 2019;

"**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*";

"**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 – Three Year History - Sundial Debenture Offering*";

"**6599362**" means 6599362 Canada Ltd.;

"**7217804**" means 7217804 Manitoba Ltd.

"**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 "*General Development of the Business – Three Year History – New ATM Program*";

"Audit Committee" means the audit committee of the Board;

"Base Shelf Prospectus" means the short form base shelf prospectus of the Corporation dated October 12, 2023 for each of the provinces and 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*;

"CNBL" means Cannabis NB Ltd.;

"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 – Three Year History - Credit Facility*";

"Conversion Shares" has the meaning ascribed to the term under "*General Development of the Business – Three Year History - Sundial Debenture Offering*";

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

"Credit Facilities" has the meaning ascribed to the term under "*General Development of the Business – Three Year History - 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 "*General Development of the Business – Three Year History – New 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 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 – Three Year History - Credit Facility*";

"**Facility 2**" has the meaning ascribed to the term under "*General Development of the Business – Three Year History - 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.;

"**Haywood Share Issuance**" has the meaning ascribed to the term under "*General Development of the Business – Three Year History – Haywood Share Issuance*";

"**Health Canada License**" means the license issued by Health Canada designating Delta 9 Bio-Tech as a licensed producer of cannabis, as amended and renewed from time to time, which is currently valid until August 22, 2027;

"**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;

"**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;

"**LP**" means a large Canadian licensed producer of cannabis;

"**LP Supply Agreement**" has the meaning ascribed to that term under "*General Development of the Business – Three Year History – Supply Agreement with LP*".

"**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*";

"**Mobile Store**" has the meaning ascribed to the term under "*Description of the Business – General - Distribution Methods – Mobile Store*".

"**MBCA**" means *The Corporations Act* (Manitoba);

"**MLLC**" means Manitoba Liquor & Lotteries Corporation;

"**Newfoundland and Labrador Supply Agreement**" means the supply agreement among the Province of Newfoundland and Labrador, the NLC and Oceanic Releaf Inc. dated June 15, 2020 to which the Corporation supplies cannabis and cannabis-related products in Newfoundland and Labrador;

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

"**NLC**" means the Newfoundland and Labrador Liquor Corporation;

"**NLCC**" means the Northwest Territories Liquor and Cannabis Commission;

"**Oak Hill**" means Oak Hill Financial Inc.;

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

"**Ontario Supply Agreement**" the master cannabis supply agreement with the OCS dated June 23, 2020 pursuant to which the Corporation supplies 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;

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

"**OTC**" 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 – Three Year History - Credit Facility*";

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

"**Prior ATM Offering**" means the "at-the-market" distribution Common Shares by the Corporation pursuant to the Prior Equity Distribution Agreement and the Prior ATM Prospectus Supplement which terminated on October 9, 2023;

"**Prior ATM Program**" has the meaning ascribed to that term under "*General Development of the Business – Three Year History – Establishment of Prior ATM Program*";

"**Prior ATM Prospectus Supplement**" means the prospectus supplement of the Corporation dated December 6, 2022 to the Prior Base Shelf Prospectus in respect of the Prior ATM Offering;

“Prior Base Shelf Prospectus” means, collectively, the amended and restated short form base shelf prospectus of the Corporation dated November 25, 2022, for all 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, which expired on October 9, 2023;

“Prior Equity Distribution Agreement” has the meaning ascribed to that term under *“General Development of the Business – Three Year History – Establishment of Prior ATM Program”*;

“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 of the Corporation 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;

“Shareholder Advances” has the meaning ascribed to the term in *“Interest of Management and Others in Material Transactions – Delta 9 Lifestyle Shareholder Advances”*;

“Shareholder Loan” has the meaning ascribed to the term in *“General Development of the Business – Three Year History – Shareholder Loan”*;

“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 – Three Year History - Sundial Debenture Offering”*;

“Sundial Debenture” has the meaning ascribed to the term under *“General Development of the Business – Three Year History - Sundial Debenture Offering”*;

“Sundial Debenture Offering” has the meaning ascribed to the term under *“General Development of the Business – Three Year History - Sundial Debenture Offering”*;

“TSX” means the Toronto Stock Exchange;

“Uncle Sam” has the meaning ascribed to the term under *“General Development of the Business – Three Year History - Uncle Sam Transaction”*;

“Uncle Sam Purchase Agreement” has the meaning ascribed to the term under *“General Development of the Business – Three Year History - Uncle Sam Transaction”*;

“**Uncle Sam Transaction**” has the meaning ascribed to the term under *“General Development of the Business – Three Year History - Uncle Sam Transaction”*;

“**Warrant Agent**” means Computershare Trust Company of Canada, in its capacity as warrant agent in respect of the 2022 Warrants;

“**YLC**” means Yukon Liquor Corporation; and

“**Yukon Supply Agreement**” has the meaning ascribed to the term under *“General Development of the Business – Three Year History – Yukon Supply Agreement”*.

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; 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 all of the provinces and territories of Canada.

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

Intercorporate Relationships

The following table describes the material Subsidiaries of the Corporation as at December 31, 2023, 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.

Retail Cannabis Store Openings in Winnipeg, Manitoba

On February 5, 2021, March 18, 2021 and April 15, 2021, the Corporation opened its 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 has allowed 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 has allowed 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 Avenue 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 and 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 facility (“**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 “*General Development of the Business – Three Year History - Repayment of 2019 Convertible Debentures*”.

Sundial 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 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. 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 expected to allow out-of-province suppliers to improve logistics efficiencies and reduce shipping costs into the Manitoba market and is expected to provide the Corporation with additional diversified revenue streams.

The Manitoba Distribution Agreement commenced on October 24, 2022 upon the receipt of the cannabis distributor license issued to the Company by the LGCA on October 24, 2022.

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 Avenue, 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 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 was Canada’s first licensed Mobile Store to sell cannabis at music festivals. The Mobile 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 used the mobile store to sell cannabis products at 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 pre-disbursement 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.

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 Common 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.

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 firm 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 Ninth 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 Prior ATM Program

On December 6, 2022, the Corporation announced that it had established an ATM equity program (the “**Prior 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 Prior ATM Program were made pursuant to the terms of an equity distribution agreement (the “**Prior Equity Distribution Agreement**”) dated December 6, 2022 between the Corporation and Haywood.

Pursuant to the Prior Equity Distribution Agreement, the Common Shares were 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 Prior ATM Program was made pursuant to the Prior ATM Prospectus Supplement. The Prior ATM Program terminated on October 9, 2023.

Appointment of Stuart Starkey as Director of the Corporation

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

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. The Corporation 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 completed multiple shipments to Australia during the period ending December 31, 2023.

Installation and Implementation of Automated Pre-Roll Manufacturing Equipment

On March 9, 2023, the Corporation announced the installation and implementation of its new fully automated pre-roll manufacturing equipment at the Delta Facility, which has significantly increased 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 entered into a contribution agreement with the Province of Manitoba dated March 6, 2023 for \$175,000 of the overall project cost.

Expanded Mobile Store Schedule

On April 20, 2023, the Corporation announced the second year of operation and expanded schedule for its Mobile Store to five festivals and events in Manitoba.

Yukon Supply Agreement

On April 25, 2023, the Corporation announced that it had entered into a supply agreement (the “**Yukon Supply Agreement**”) with the YLC to supply recreational use cannabis products to the YLC for sale in the Yukon Territory. The Corporation made its first shipment under the Yukon Supply Agreement in the second quarter of 2023.

Sale of Grow Pods to United States

On April 28, 2023, the Corporation announced that it had secured a purchase order for up to eight Grow Pods from a United States customer for an integrated pre-licensed cultivation and processing facility in the State of Alabama.

Expanded Manitoba Distribution License

On August 2, 2023 the Corporation, through its wholly-owned subsidiary, Delta 9 Logistics, announced that it intends to expand its distribution and cross-docking business in Manitoba as a result of the Manitoba Liquor & Lotteries Corp.’s implementation of new regulatory enhancements intended to improve lead times for the delivery of cannabis shipments from suppliers and distributors to Manitoba-based retailers. The enhancements will allow the Corporation to bring additional cannabis inventory from third party suppliers into the province, closer to the operating retail network, and significantly improve the lead time and fulfilment cycles experienced by retailers.

Authorization to Distribute Cannabis in the Northwest Territories

On August 9, 2023, the Corporation announced that it had been authorized to sell recreational cannabis products to NTLCC for sale in Northwest Territories. The Corporation made its first shipment to the Northwest Territories in the third quarter of 2023.

Haywood Share Issuance

On August 30, 2023, the Corporation announced that it had issued 769,230 Common Shares, for a deemed price of \$0.065 per Common Share, to Haywood, in satisfaction of a consulting fee payable to Haywood pursuant to an engagement letter dated March 28, 2023 between Haywood and the Corporation. On October 3, 2023, the Corporation issued an additional 153,846 Common Shares to Haywood in connection with the Common Share issuance to Haywood (collectively, the “**Haywood Share Issuance**”).

Authorization to Distribute Cannabis in New Brunswick

On October 31, 2023, the Corporation announced that it had been authorized to sell recreational cannabis products the CNBL for sale in the province of New Brunswick. The Corporation made its first shipment to CNBL in the fourth quarter of 2023.

Base Shelf Prospectus

On October 12, 2023, the Corporation filed Base Shelf Prospectus. Pursuant to the Base Shelf Prospectus, the Corporation may from time to time during the 25-month period that the Base Shelf Prospectus remains valid, offer for sale and issue: (i) Common Shares; (ii) debt securities, which may consist of debentures, notes or other types of debt and may be issuable in series; (iii) Common Share purchase warrants; (iv) subscription receipts to purchase securities of the Company; and (v) any combination of such securities. The Corporation may sell up to \$40,000,000 of the securities pursuant to the Base Shelf Prospectus.

New ATM Program

On October 23, 2023, the Corporation announced that it had established the ATM 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 October 23, 2023 between the Corporation and Haywood. Pursuant to the New 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 is made pursuant to the prospectus supplement of the Corporation dated October 23, 2023 to the short form base shelf prospectus of the Corporation dated October 12, 2023, for all of the provinces and territories of Canada in respect of the ATM Program.

LP Supply Agreement

On November 20, 2023, the Corporation entered in a supply agreement with LP for the sale of bulk cannabis flower from the Corporation to LP (the “**LP Supply Agreement**”). Under the LP Supply Agreement, the Corporation will cultivate select cultivars for LP based on a rolling 12 month forecast. Over the first 12 months of the LP Supply Agreement, the Corporation anticipates revenue of approximately \$4,620,000. The Corporation plans to make its first shipment under the LP Supply Agreement in the second quarter of 2024.

Good Agricultural and Collection Practices Certification

On November 28, 2023, the Corporation announced that, after a thorough audit process, it received a certification of compliance with Good Agricultural and Collection Practices (GACP) for the Delta Facility. The GACP certification is valid until November 9, 2025.

Developments since December 31, 2023

There have been no material developments since December 31, 2023.

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, 2023.

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 and 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 15 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, an arm's length third party.

As of December 31, 2023, Delta 9 Lifestyle operates 19 retail stores in Manitoba that sell recreational use cannabis under the trade name "Delta 9 Cannabis Store" and "Garden Variety".

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, 2023, 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 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"*.

In addition to Delta 9 Bio-Tech (and its partially-owned subsidiary, Delta 9 Lifestyle), the Corporation owns and operates two other material Subsidiaries, Delta 9 Cannabis Store and Delta 9 Logistics.

Delta 9 Logistics was incorporated for and is a party to the Manitoba Distribution Agreement and the Manitoba Distribution License.

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.

On March 9, 2023, the Corporation announced the installation and implementation of its new fully automated pre-roll manufacturing equipment at the Delta Facility, which has significantly increased 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 entered into a contribution agreement with the Province of Manitoba dated March 6, 2023 to fund up to \$175,000 of the overall project cost.

Oils, Extracts, Derivatives and Other 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.

Retail Sales

As of December 31, 2023, the Corporation, through its Subsidiaries, Delta 9 Lifestyle and Delta 9 Cannabis Store, owns and operates 41 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			478 River Avenue, Winnipeg, Manitoba	March 21, 2019
3	Brandon			1570 18 th Street, Brandon, Manitoba	April 2, 2019
4	Thompson			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	Lloydminster		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			3321 Portage Avenue, Winnipeg, Manitoba	February 5, 2021
11	Bunns Creek			2001 Henderson Highway, Winnipeg, Manitoba	March 18, 2021
12	Northgate			1399 McPhillips Street, Winnipeg, Manitoba	April 15, 2021
13	Selkirk			379 Main Street, Selkirk, Manitoba	August 26, 2021
14	Beverly			Delta 9 Cannabis Store	4512 118 Avenue NW, Edmonton, Alberta
15	Kensington		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			1719 Portage Ave, Winnipeg, Manitoba	March 1, 2022
18	Crestview			3421 Portage Ave, Winnipeg, Manitoba	April 20, 2022
19	Sherwood 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	Morinville			1-10219 100 Avenue, Morinville, Edmonton, Alberta	
22	Calgary Trail			10404 68 Avenue NW, Edmonton, Alberta	

23	St. Albert			106 506 St. Albert Trail, St. Albert, Alberta		
24	50 th Street NW			12751 50 Street NW, Edmonton, Alberta		
25	97 th Street			12950 97 Street NW, Edmonton, Alberta		
26	Castle Downs			13712 Castle Downs Road, Edmonton, Alberta		
27	90 th Avenue			17042 90 Avenue, Edmonton, Alberta		
28	Beaumont	Discounted Cannabis		101-5003 30 Avenue, Beaumont, Alberta		
29	Morinville			9507 100 Street, Morinville, Alberta		
30	50 th Street			12988 50 Street NW, Edmonton, Alberta		
31	82 nd Street			12916 82 Street NW, Edmonton, Alberta		
32	118 th Avenue			13210 118 Avenue NW, Edmonton, Alberta		
33	127 th Street			14147 127 Street NW, Edmonton, Alberta		
34	Stony Plain			105-4600 48 Street, Stony Plain, Alberta		
35	Manning Crossing			106-2-256 Manning Crossing NW Unit A, Edmonton, Alberta		
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		1351 Main Street, Dauphin, Manitoba	December 5, 2022
40	Marion Street			78 Marion Street, Winnipeg, Manitoba	January 3, 2023
41	Sargent Street			625 Sargent Avenue, Winnipeg, Manitoba	February 7, 2023

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 drug-impaired 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.

All provincial governments and territories have implemented legislation in each of their respective jurisdictions legalizing and regulating the sale of 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.

Distribution Methods

Distribution to Provinces and Territories

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

- In Manitoba, the Corporation is authorized to distribute dried cannabis products directly to the MLLC for retail sale pursuant to the Manitoba Distribution Agreement and the Manitoba Distribution License. For more information on the Manitoba Distribution License and the Manitoba Distribution Agreement, see “*General Development of the Business – Three Year History – Manitoba Distribution License*”, “*General Development of the Business – Three Year History – Manitoba Distribution Agreement*” and/or “*General Development of the Business – Three Year History – Expanded Manitoba Distribution License*”.
- 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.
- In the Yukon Territory, the Corporation is authorized, pursuant to the Yukon Supply Agreement, to supply cannabis products to the YLC for sale in the Yukon Territory. For more details, see “*General Development of the Business – Three Year History – Yukon Supply Agreement*”.
- In New Brunswick, the Corporation is authorized to sell recreational cannabis products to the CNBL to supply cannabis products to the CNBL for sale in the province of New Brunswick. For more details, see “*General Development of the Business – Three Year History – Authorization to Distribute in New Brunswick*”.
- In the Northwest Territories, the Corporation is authorized, pursuant to an authorization from the NTLCC, to supply cannabis products to the NTLCC for sale in Northwest Territories. For more details, see “*General Development of the Business – Three Year History – Authorization to Distribute in Northwest Territories*”.

LP Supply Agreement

The Corporation plans to make its first shipment under the LP Supply Agreement in the second quarter of 2024. For more details, see “*General Description of the Business – Three Year History – LP Supply Agreement*”.

Expanded Manitoba Distribution License

On August 2, 2023, the Corporation, through its wholly-owned subsidiary Delta 9 Logistics, announced that it intends to expand its distribution and cross-docking business in Manitoba as a result of the MLLC changes to wholesale distribution regulations. For more information, see “*General Description of the Business – Three Year History – Expanded Manitoba Distribution License*”.

Retail

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, 2023, operate a total of 41 retail cannabis stores located in Manitoba (nineteen (19) 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*".

Mobile Store

On April 20, 2022, the Corporation announced the launch of its first mobile cannabis store (the "**Mobile Store**"), licensed by the LGCA. 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. For more information, see "*General Development of the Business – Three Year History – Launch of Canada's First Mobile Cannabis Store*".

On April 20, 2023, the Corporation announced the second year of operation and expanded schedule for its Mobile Store to five festivals and events in Manitoba. For more information, see "*General Development of the Business – Three Year History – Launch of Canada's First Mobile Cannabis Store*".

International Market Sales

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 completed multiple shipments to Australia during 2023.

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, 2023 were \$10,138,781 and December 31, 2022 were \$12,126,163.

Retail

Revenues received by the Corporation from its retail stores operated by Delta 9 Lifestyle, in Manitoba, and Delta 9 Cannabis Store, in Saskatchewan and Alberta, under the trade names "Delta 9 Cannabis Store", "Uncle Sam's Cannabis", "Discount Cannabis" and "Garden Variety" from the sale of recreational use cannabis products, including ancillary products such as cannabis edibles, vaporizers and accessories, during the year ended December 31, 2023 were \$61,111,178 and December 31, 2022 were \$52,194,268.

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, 2023 were \$1,396,748 and December 31, 2022 were \$1,730,399.

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, 2023, 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. 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 the 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, seven gram, and 28 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 took 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, an arm's length third party. Delta 9 Lifestyle's medical clinic was closed in January, 2023.

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, 2023, Delta 9 Lifestyle operates 19 stores that sell recreational cannabis operated under the trade name "Delta 9 Cannabis Store", twelve (12) 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, 2023, 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, 2023, 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 Distribution Agreement and the Manitoba Distribution License.

Specialized Skill and Knowledge

As of the date hereof, the Corporation employs approximately 200 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, Newfoundland and Labrador, Yukon Territory, New Brunswick and Northwest Territories, 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 – Strategic Risks - 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 business-to-business 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, 2023, 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 the 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, 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.

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.

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, 2023, the Corporation and its Subsidiaries employed 440 individuals. 200 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. The Corporation expects to face additional competition from new market entrants. The Corporation also faces 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 regulations; and (iv) make claims not permissible under the *Cannabis Act* (Canada) and other regulatory regimes. As these illicit market participants do not comply with the regulations governing the medical and adult-use cannabis industry in Canada, their operations may also have significantly lower costs.

As a result of the competition presented by the black market for cannabis, any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from licenced producers for any reason or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could: (i) result in the perpetuation of the black market for cannabis; (ii) adversely affect the 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, the NLC, the YLC, the CNBL and the NTLCC, 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

The Corporation's business could be adversely affected by the effects of a widespread global outbreak of contagious disease. 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.

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), 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, 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 clients 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 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 to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability 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, the NLC, the YLC, the CNBL and the NTLCC. 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

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.

The Corporation's current cannabis license under the *Excise Act, 2001* (Canada) is set to expire on April 16, 2024. As a part of its license renewal application, the Corporation and Canada Revenue Agency (“CRA”) have been in discussions regarding certain licensing conditions which must be maintained in order to renew its license including: (a) requirements for additional financial security; (b) requirements to maintain sufficient financial resources including requirements to maintain current monthly payments of excise amounts owing and payment plans for arrears amounts owing, and (c) requirements to ensure timely filing of monthly returns, amongst other requirements. To date the Corporation has complied with all licensing conditions and CRA has indicated that it intends to renew its cannabis license on or before the expiry date. Any failure to comply with the licensing conditions may result in revocation or refusal to renew the license.

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 to the Corporation. 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 a company and its board of directors and for the company to suffer reputational damage. Such lawsuits could cause the Corporation to incur substantial costs and divert the time and attention of the Board 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 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, 2023, the following securities in the capital of the Corporation were outstanding:

- (a) 213,166,895 Common Shares;
- (b) One (1) \$10,000,000 principal amount Sundial Debenture;
- (c) 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;
- (d) 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;
- (e) 1,700,032 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;
- (f) 550,078 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;
- (g) 275,000 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
- (h) 807,719 RSUs issued on July 22, 2022, each redeemable into one Common Share. 50% of these RSUs vested on September 30, 2022 and 50% vested on March 31, 2023.
- (i) 13,102,456 RSUs issued on November 15, 2023, each redeemable into one Common Share. 50% of these RSUs vest on March 15, 2024 and 50% vest on September 15, 2024.

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 Board, and to participate ratably 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 Debenture Offering. For details with respect to the Sundial Debenture and the Sundial Debenture Offering, see “*General Development of the Business – Three Year History - Sundial 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.

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 ⅔% 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 ⅔% 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, 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.sedarplus.ca.

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, 2023, there were 2,250,110 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 and PSUs to eligible persons 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 the 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 award, including all other Common Shares under awards to such person at that time; and

- (c) 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 award, including all other Common Shares under awards 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.sedarplus.ca.

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, 2023, there were 14,185,175 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 – Three Year History - 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, 2023 to December 31, 2023:

Period	Low	High	Volume
January 2023	\$0.055	\$0.11	1,776,296
February 2023	\$0.07	\$0.10	1,292,585
March 2023	\$0.065	\$0.10	2,790,929
April 2023	\$0.055	\$0.09	4,161,153
May 2023	\$0.05	\$0.065	4,720,350
June 2023	\$0.05	\$0.08	15,063,871
July 2023	\$0.05	\$0.065	7,347,720
August 2023	\$0.045	\$0.065	7,372,952
September 2023	\$0.035	\$0.055	4,823,689
October 2023	\$0.035	\$0.04	1,629,498
November 2023	\$0.03	\$0.04	5,087,118
December 2023	\$0.025	\$0.035	1,243,621

Note:

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

PRIOR SALES

During the year ended December 31, 2023, no securities not listed or quoted on an exchange or marketplace were issued by the Corporation.

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, 2023.

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.
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.
Mark Jonker Winnipeg, MB	COO	August 30, 2021	COO of the Corporation since August 30, 2021.
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 Inc. 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 34, 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 co-founder 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 72, has been the Chief Financial Officer of the Corporation since September 2018.

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.

Mark Jonker

Mr. Jonker, age 48, has been the Chief Operations Officer of the Corporation since August 2021.

Mr. Jonker has worked in manufacturing for 25 years in various roles including production control, information technology management, enterprise resource planning implementation, and operations management in everything from wood manufacturing, B2B equipment manufacturing and sales and cannabis production. Mark has his Bachelor of Commerce in Accounting and Finance.

Nitin Kaushal

Mr. Kaushal, age 58, 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 37 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 69, 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 70, 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 of Merrill Lynch Canada, Vice Chairman and Director Midland Walwyn Inc. from 1995-2000, President and CEO of 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 41, has over the past 15 years been an entrepreneur, para-athlete and non-profit founder. As President of Two Small Men with Big Hearts Inc., 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 with Big Hearts Inc. 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 co-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, 2023, the Directors and officers of the Corporation beneficially owned, directly or indirectly, or exercised control and direction over, an aggregate of 44,562,930 Common Shares, representing 20.70% 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, 2023, 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, 2023 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, 2023 and December 31, 2022, 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 (\$)
2023	\$310,000	\$135,000	\$0	\$28,435
2022	\$144,450	\$240,712	\$0	\$81,620

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, 2023, \$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 December 31, 2023, 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 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 occurred 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 \$16,500 per month.

Senior Executive Credit Cards

During the financial year ended December 31, 2023, 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, 2023, \$3,213 was advanced to the Corporation.

TRANSEER 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 2022 Warrant Indenture;
- (d) Sundial Debenture;
- (e) Credit Facilities; and
- (f) 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, 2023 and December 31, 2022. 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.sedarplus.ca. 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 18, 2023. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the financial year ended December 31, 2023.

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.