

DELTA 9 CANNABIS INC. HIGHLIGHTS

August 2019



1. Company History

i The Company was founded in 2012 and licensed by Health Canada in December 2013, making it one of Canada's oldest cannabis companies.

Delta 9 went public in November 2017 on the TSX.V at \$0.65/ share.

Since November 2017 the Company has raised \$64.8 Million (\$12 Million in debt, \$11.8 Million in Convertible Debt and \$41 Million in equity) to fund expansion opportunities.

Delta 9 is one of Canada's only vertically integrated cannabis companies with licensed production, processing, distribution, and retail operations.

The Company currently employs over 300 full time employees

The Company shares currently trade under the symbol TSX.V: DN and OTCQX: VRNDF and warrants are listed under DN.WT

2. The Production Site

i Delta 9 operates in 185,000 square feet on a 47 Acre site in Winnipeg, Manitoba

The company currently has 80,000 square feet of Health Canada licensed facilities.

Delta 9 has exercised options to purchase its site for \$12.5 Million, in two tranches. Tranche 1 closed in October 2018. Tranche 2 is planned to close in Q2, 2018. Canadian Western Bank has committed a \$12 Million credit facility to facilitate the purchase.

3. The Production Method

i All of Delta 9's cannabis production and processing activities are based in retrofitted shipping containers called *Delta 9 Grow Pods*. Delta 9 holds Canadian and US Patents on its grow technology.

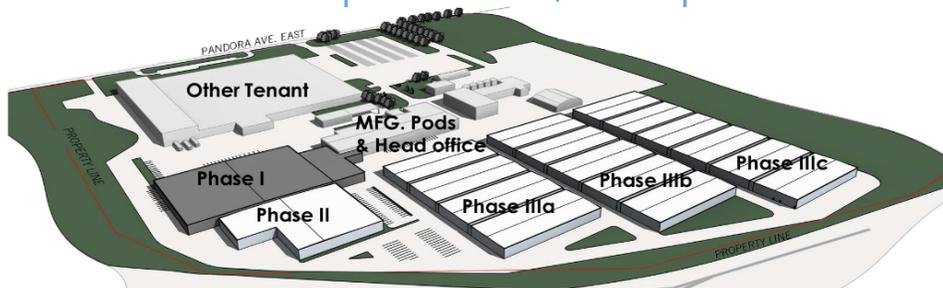
The *Grow Pods* provide a grow platform which is modular, scalable, and stackable, allowing the company to grow vertically on multiple floors. The *Grow Pods* and hydroponic grow systems provide a high level of control over the grow environment meaning high quality products.

Each *Grow Pod* has a full retrofit cost of only \$25,000 (approximately \$78/ square foot) and will produce over 32,000 grams of dried cannabis per year (approximately \$320,000/ year).

The modular nature of the *Grow Pods* helps prevent the risk of spread of any contamination within the facility, minimizing the risk of crop loss.

4. Expansion plans to increase capacity to 60,000 kilograms by 2022

Cannabis Campus – 650,00 Sq. Ft.



Phase I & II 2019

- 170,000 sq. ft.
- 608 grow pods
- Grow capacity 16,768 Kg
- Processing Center
- Planned completion 2019

Phase III 2020/21 15 buildings

- 480,000 sq. ft.
- 1500 grow pods
- Capacity 43,200 Kg.
- Phased completion over 2020-2022
- Extraction Center

Each building

- 37,000 sq. ft.
- 100 pods
- Grow 2,880 Kg.

i Future Expansion Plans Including Increase of Production Capacity to 60,000 Kilograms by 2022

Phase 1 – Phase 1 expansion is complete and licensed by Health Canada

- *Total production capacity is currently 154 grow pods offering 49,280 square feet of production space on two levels*
- *Projected total annual cannabis production capacity of 4,224 kilograms of dried cannabis*

Phase 2 – 2019 expansion underway

- *Total production capacity anticipated to increase by 454 grow pods*
- *As of May 20, 2019, Health Canada has approved 48 new grow pods which brings production to 202 which will add 1,150 kilograms per year of cannabis. Overall production capacity will be now be 5,350 kilograms per year.*
- *Anticipated to provide an additional 145,280 square feet of production space on two levels*
- *Total annual cannabis production capacity is anticipated to increase to 16,768 kilograms*
- *Estimated capital costs of approximately \$24,000,000, which will be funded from current cash on hand*

Phase 3 – 2020-2022 expansion plans

- **Systematic roll out of 15 modular warehouse buildings covering 480,000 square feet of production space on two levels**
- **Total production capacity is anticipated to increase by 1,500 grow pods during this period**
- **Total annual cannabis production capacity is anticipated to increase to 60,000 kilograms of dried cannabis**
- **Construction of a 30,000 square foot in-house cannabis extraction facility**
- **Anticipated capital costs of approximately \$115,000,000. Delta 9 is currently reviewing its strategic options for funding these expansion costs**

Project Name	Facility Square Footage	# Grow Pods	Output Kg/ Yr	Output \$/ Yr *	Capital Investment	Completion Date
Phase I (E-Building South)	40,000	154	4,224	\$32,862,720	\$6,000,000	Nov 2018
Phase II (E Building North)	55,000	154	4,224	\$32,862,720	\$8,000,000	Q2 2019
Phase II (F Building)	40,000	150	4,160	\$23,900,160	\$8,750,000	Q3 2019
Phase II (G Building)	40,000	150	4,160	\$23,900,160	\$8,750,000	Q4 2019
2019 Project Scope	170,000	608	16,768	\$113,525,760	\$31,500,000	
Phase IIIa	128,000	400	11,520	\$89,625,600	\$35,000,000	Q4 2020
Phase IIIb	160,000	500	14,400	\$112,032,000	\$40,000,000	Q4 2021
Phase IIIc	192,000	600	17,280	\$134,438,400	\$50,000,000	Q4 2022
Total Project Scope	480,000	1,500	43,200	\$336,096,000	\$115,000,000	
Total Scope for Manitoba	650,000	2,108	59,968	\$449,621,760	\$146,500,000	

* Dollar Value Output based on Delta 9's average wholesale price as at Nov 28, 2018 of \$7,780/ Kg

5. The Manitoba Advantage

i As Manitoba's only Licensed Producer Delta 9 enjoys natural advantages and relatively inexpensive fixed and variable costs;

Central geographic location and cold winters – Manitoba is a central shipping hub, meaning relative ease in access to raw materials and decreased freight costs. Cold winters mean decreased cooling requirements for indoor grow operations.

Cheap Power – Delta 9 is currently paying \$0.04/ KWH, one of the cheapest power rates in the country. Delta 9's Management is currently working with Manitoba to expand its power service to facilitate up to 64,000 Kg/ year. This expansion is planned to be completed by mid-2020.

Cheap Labor – Manitoba’s cost of living is relatively inexpensive when compared to other major Canadian cities, meaning cheaper labor costs for Delta 9’s production operations. The labor pool is large enough to support aggressive growth without relocation.

Cheap Warehouse Space – Delta 9 currently pays only \$6.60/ square foot on leased warehouse space and has acquired competitive options to purchase all properties it leases for production operations.

6. Oils and Extraction

i **Winnipeg Facility** – Delta 9’s Winnipeg facility is currently licensed for Oils production, where it acquires bulk pre-formulated oils from other licensed producers, and performs bottling and labelling activities. We anticipate a sales license will be granted for this facility in Q2, 2019.

Auxly Partnership – Delta 9 is collaborating with the Auxly Cannabis Group’s Dosecann facility in PEI to extract raw materials supplied from Delta 9’s site and providing Delta 9 with a long-term supply of high-quality cannabis extract products.

Fort Garry Brewing Partnership – In early 2018 Delta 9 partnered with Fort Garry Brewing Co., Manitoba’s largest craft brewer to collaborate on cannabis infused beverages. In July 2018 the partnership launched its first Hemp Infused Beer, named Legal Lager. The Companies plan to produce cannabis infused beverages in late 2019, pending formal extract regulations from Health Canada.

NanoSphere – Delta 9 signed a Master Licensing Agreement in a deal that opens the Canadian market to NanoSphere’s groundbreaking cannabis technology. This agreement paves the way for an entirely new form of consumption for both medical and recreational consumers of cannabis. On the recreational side, Delta 9 can now provide a healthier alternative to smoking or vaping cannabis, but that still gives you the same or better effect. It also provides for the first time a truly appropriate way to deliver medical cannabis, with precise dosage, better bio-availability, and without essentially having to ‘smoke your medicine.

7. Business to Business

i While Delta 9’s management has been very focused on execution we have developed several value-added businesses to business offerings which provided the company with diversified revenue streams;

Genetics – Delta 9 has an extensive genetic seed bank with over 70 different varieties of cannabis. Delta 9 has packaged genetics offering for other Licensed Producers looking to expand their cannabis genetics. Health Canada recently provided an export permit to sell genetics to Australia and Delta 9 has 2 sales contracts to producers there.

Grow Pods – Delta 9’s proprietary *Grow Pod* systems have proven an attractive solution for new Licensed Producers looking to build out their business model. Delta 9 has shipped *Grow Pods* as far east as Southern Ontario, south as Michigan and as far west as BC. **Licensing and Consulting** – As a tenured licensed producer Delta 9 has experience in all aspects of Health Canada licensing and compliance. Delta 9 provides licensing and consulting services to new and pre-licensed producers who wish to grow cannabis.

As at end of Q4, 2018 Revenue from B2B was over \$1 million. Management will continue to grow these segments over the year 2019. Delta 9's gross margins on B2B revenues are in excess of 75%.

8. Medical Cannabis

i Delta 9 currently services approximately 3,500 medical patients across Canada through direct to patient medical sales. The main driver for the Company's patient growth has been its branded clinic in Winnipeg. Since its inception in July 2017, the Delta 9 Lifestyle Clinic has seen over 2,000 patients. Delta 9's current patient base is growing at approximately 2.5% per month.

Given the current supply environment for recreational cannabis is providing attractive wholesale margins, management has opted to focus on the recreational market as opposed to aggressive expansion in the medical space.

Over the longer term the Company will focus on Pharmacy based distribution as a driver of expansion in the medical market. Delta 9 is a preferred supplier Pharmasave and its network of over 650 independent pharmacies in Western Canada.

Delta 9 is in the application process to receive EU GMP certification for its existing facility which will allow for exports into the EU. Delta 9 has an existing relationship with a German Pharmacy chain which has committed to purchase 40Kg/ month for import into the German market. We anticipate making first shipments internationally within the calendar year.

9. Recreational Cannabis and Supply Agreements

i The largest driver of revenue and earnings growth for the Company over 2019 will be its wholesale cannabis business. Delta 9 spent much of 2018 investing in expanded cultivation capacity, building inventory up to October 17, and since then, has focused on developing a streamlined supply chain which allows for routine deliveries to retail stores and supply partners in Manitoba. Delta 9 has recently been approved to supply a minimum 300 kilograms of cannabis to Alberta and approximately 30 kilograms a quarter to the Saskatchewan markets.

Delta 9's *Grow Pod* systems allow for perpetual harvesting, meaning that there is a constant flow of supply moving through the inventory processing and approval procedures. Delta 9 is now releasing new batches for sale and making deliveries to retail stores on a weekly basis.

Delta 9 is relying on the following supply contracts to be main drivers for distribution in 2019:
Province of Manitoba – 2,300Kg/ yr – First shipments completed in Q3, 2018
Auxly Cannabis Group – 1,000Kg/ yr – First shipments completed in Q4, 2018
Canopy Growth Corp – 1,000Kg/ yr – First Shipments planned for Q1, 2019

Management anticipates that the Company will meet or exceed its minimum deliverables for the above contracts and will seek additional supply agreements as necessary over the year to facilitate additional distribution. As of yearend, 2018, Delta 9 reported that wholesale sales from Recreational Cannabis exceeded \$2.2 Million.

10. Retail Stores

i The second largest driver of growth for the Company will be retail store openings. Management believes that vertical integration into retail sales will carry a number of benefits including; control over a direct to consumer sales force, control over in-store marketing and branding components, and capturing retail sales margins. To date the Company has been granted 4 licenses for retail stores in Manitoba;

St. Vital – 3,500 square foot superstore - Opened October 17, 2018

Osborne Village – 3,500 square foot character store – Opened Q1, 2019

Brandon – 4,500 square foot superstore – Open Q1, 2019

Thompson – 2,500 square foot superstore – Planned to open Q2, 2019

Expansion Opportunities – Management is currently exploring growth opportunities in retail in Manitoba, Saskatchewan, Alberta, British Columbia, and Ontario. As of yearend, 2018, Delta 9 reported retail sales from Recreational Cannabis of over \$3 Million.

11. Capitalization Table

i	Type of Security	Number Outstanding
	Common Shares	85,541,499
	Warrants ¹	8,521,500
	Agent's Warrants ²	30,478
	Agent's Warrants ³	596,505
	Stock Options ⁴	4,433,308
	Stock Options ⁵	629,700
	Stock Options ⁶	376,500
	Stock Options ⁷	3,000,000
	Fully Diluted	103,129,490

1. 8,521,500 warrants issued under on December 28, 2017 pursuant to the short form prospectus offering by the Company, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$3.25 per share until June 28, 2020;
2. 30,478 agent's warrants, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$0.65 per share until October 31, 2019; and
3. 596,505 agent's warrants, each of which entitles the holder thereof to acquire one Common Share at an exercise price of \$2.70 per share until December 28, 2019.
4. 4,433,308 stock options each exercisable to acquire one Common Share at an exercise price of \$0.65 until October 31, 2022, 3,533,308 of which shall vest over two years, with 25% vesting every six months, commencing on April 30, 2018, and 900,000 of which shall vest over two years with 50% vesting on October 31, 2018 and the remaining 50% vesting on October 31, 2019.
5. 629,700 stock options each exercisable to acquire one Common Share at an exercise price of \$2.77 until January 22, 2023. The options will vest over 12 months, with one third vesting immediately, one third vesting after six months, and one third vesting after 12 months.
6. 376,500 stock options each exercisable to acquire one Common Share at an exercise price of \$2.30 until February 20, 2023. The options will vest over 12 months, with one third vesting after four months, one third vesting after eight months, and one third vesting after 12 months.
7. 3,000,000 stock options each exercisable to acquire one Common Share at an exercise price of \$1.79 until September 12, 2023. The options will vest over two years with 25% vesting every six months, commencing on March 12, 2019.

Financial Highlights for Q1, 2019

- Record operating revenues of \$5.63 million for the first quarter of 2019, up 1,595%, from \$332,107 for the same quarter last year.
 - Sequentially net revenues increased 7% from \$5,270,217 for the three-month period ending December 31, 2018.
 - Sequentially the cost of sales of cannabis products improved by 5% to \$3.82 million for Q1, 2019 from \$4.02 million for the fourth quarter of 2018.
- Record gross profit of \$4.22 million for the first quarter, 2019, up 1,983%, from \$202,695 for the same quarter last year.
 - Sequential gross profit increased 26% from the three-month period ending December 31, 2018
 - Gross profit margin was 75% for Q1, 2019
- Net income for Q1, 2019 was \$11.11 million or \$0.13 per share versus a net loss of (\$1.92) million or (\$0.02) for the three-month period ending March 31, 2018.
 - Management would highlight the one-time gain on the disposal of the Company's investment in the Delta West Limited Partnership (the "Delta West LP") as contributing a significant non-cash gain during the period.
 - Without the one-time gain, Delta 9 recorded a loss from operations of (\$946,180) or (\$0.01) for Q1, 2019 versus a loss of \$1,923,263 or (\$0.02) for the same period last year.
- The Company reported a strong financial position, with working capital of \$18.83 million and total assets of \$65.35 million.

Selected Quarterly Information:

Consolidated Statement of Net Income	Q1 2019	Q1 2018
Revenue	\$5,632,184	\$332,107
Cost of Sales	3,815,930	223,169
Gross Profit Before Unrealized Gain from Changes In Biological Assets	1,816,254	108,938
Unrealized gain from changes in fair value of biological assets	4,060,823	93,757
Gross Profit	\$4,222,989	\$202,695
Expenses		
General and Administrative	3,451,900	1,381,122
Sales and Marketing	969,202	123,646
Share based Compensation	748,067	621,190
Total Operating Expenses	\$5,169,169	\$2,125,958
Loss from Operations	\$(946,180)	\$(1,923,263)
Other Income/ Expenses		
Finance Income (cost)	(157,619)	(5,209)
Rental and other income	17,144	4,712
Gain on derecognition Westleaf investment	12,193,000	--
Net Income	11,106,345	(1,923,760)
Other comprehensive Income		
Fair value change in Westleaf Investment	(2,240,000)	--
Net Income and Comprehensive Income	\$8,866,345	\$(1,923,760)
Earnings per Share (basic)	\$0.13	\$(0.02)
Weighted average number of shares outstanding	86,759,632	79,348,934

Operational Highlights for Q1, 2019

- 2019 expansion strategy increased the number of Delta 9 grow pods approved by Health Canada by 31% to 202, increasing anticipated annual production capacity to over 5,350 Kg of dried cannabis flower.
- Delta 9 sold its 50% interest in the Delta West Limited Partnership to Westleaf Cannabis Inc. for 5.6 million Westleaf shares that had an established a value of \$14.95 million as of January 25, 2019, the date of sale.
- Delta 9 announced plans to increase its annual cannabis production capacity to 60,000 kilograms per year by 2022 and for the expansion of its retail store network.
 - Delta 9 now operates three retail stores, two in Winnipeg, Manitoba and one in Brandon, Manitoba. A fourth retail store in Thompson, Manitoba is scheduled to open in Q3, 2019.
- Delta 9 has received approval from the Saskatchewan Liquor and Gaming Authority to supply cannabis directly to the province's retail and wholesale markets.

Subsequent second quarter events

- May 24, 2019 - Alberta Gaming, Liquor & Cannabis (AGLC) has provided Delta 9 with authorization to supply cannabis to AGLC for retail sale in the province of Alberta. The Company plans to make its first shipment of cannabis for retail sale in Alberta in the second quarter of 2019.
- May 22, 2019 - Delta 9 received Health Canada approval to place 48 new "Grow Pods" from its Phase II expansion into production. This will bring the total number of Grow Pods approved by Health Canada to 202. This will increase the Company's estimated production capacity by 1,150 kilograms of dried cannabis flower per year. The anticipated production capacity for Delta 9's facilities is anticipated to increase to 5,350 kilograms per year going forward.
- May 9, 2019 - Company received notice from Health Canada that it has been granted an export permit to sell starting materials to authorized cannabis license holders in Australia and Tasmania. Delta 9 has two pending sales contracts for cannabis plants to licensed producers in Australia. These sales would be Delta 9's first international cannabis product sales.

Discussion of Operations:

Key Performance Indicators	For Q1 ending March 31, 2019
Production/ Wholesale Unit	
Total Grams Produced	418,901
Cash Production Cost Per Gram	\$1.44
Total Cash Cost Per Gram	\$1.60
Total Grams Released for Sale	185,626
Total Grams Sold (Recreational Wholesale)	386,387
Total Grams Sold (Medical)	13,400
Avg Selling Price per Gram	\$7.58
Retail Unit	
Total Grams Sold (Retail)	189,796
Avg Selling Price per Gram	\$12.84
Number of Transactions Processed	44,885
Avg Transaction Size	\$58.27
Unique Website Visitors (delta9.ca)	180,774