TSXV:NINE

Delta 9 Cannabis Inc.

Management's Discussion and Analysis

(For the three-month period ending March 31, 2019)

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Introduction:

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Delta 9 Cannabis Inc. (the "Company"), is for the three-month period ending March 31, 2019, and is prepared as of May 30, 2019. It is supplemental to, and should be read in conjunction with, the Company's review-engaged consolidated financial statements for the period ending March 31, 2019. References herein to the "Company" include reference to the subsidiaries of the Company, as applicable.

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

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

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

Notice Concerning Forward-looking Statements:

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

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

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

Company Overview:

The Company is a vertically integrated cannabis company, with operations in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business to business activities. The Company, through its wholly-owned subsidiary, Delta 9 Bio-Tech Inc. ("Delta 9 Bio-Tech"), is a licensed producer of cannabis pursuant to the *Access to Cannabis for Medical Purposes Regulations* (Canada) and operates an 80,000 square foot production facility, located at 760 Pandora Avenue East in Winnipeg, Manitoba, Canada (the "Delta Facility"). Delta 9 Bio-Tech holds a license from Health Canada (the "Health Canada License") to produce and sell cannabis. The Health Canada License is currently valid until August 30, 2019.

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

Pursuant to the Amalgamation Agreement, Delta 9 Bio-Tech amalgamated with Newco under the provisions of the *Canada Business Corporations Act*, with the amalgamated company continuing as a wholly-owned subsidiary of the Company under the name "Delta 9 Bio-Tech Inc.". The Company issued one common share of the Company (a "Common Share") to each former shareholder of Delta 9 Bio-Tech for each share of Delta 9 Bio-Tech owned by such shareholder. All other securities of Delta 9 Bio-Tech were exchanged for securities of the Company at a ratio of one security of Delta 9 Bio-Tech for one security of the Company. The Common Shares of the Company resumed trading following the Amalgamation on the TSX Venture Exchange ("TSXV") on November 6, 2017 under the symbol "NINE".

The address of the registered office of the Company is Suite 1800, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

Delta 9 Bio-Tech owns one operating subsidiary, Delta 9 Lifestyle Cannabis Clinic Inc. ("Delta 9 Lifestyle"). Delta 9 Lifestyle was incorporated under *The Corporations Act* (Manitoba) on February 9, 2017. Delta 9 Bio-Tech owns 51% of the issued and outstanding shares of Delta 9 Lifestyle. The remaining 49% of the issued and outstanding shares are owned by 7217804 Manitoba Ltd. ("7217804"), an arm's length third party.

Delta 9 Lifestyle operates a chain of retail cannabis stores in Manitoba, operating as the "Delta 9 Cannabis Store", offering cannabis flower, cannabis oils, and cannabis accessories to adult recreational consumers. As of the date of this MD&A, Delta 9 Lifestyle operates two cannabis retail stores in Winnipeg and one cannabis retail store in Brandon, with plans to open additional stores, including a store in Thompson, Manitoba. Delta 9 Lifestyle also operates a medical clinic, which markets the "Delta 9" brand to patients and provides physician consultation services to patients seeking a medical recommendation to use medical cannabis.

In addition to Delta 9 Bio-Tech (and its subsidiary, Delta 9 Lifestyle), the Company owns one other subsidiary, 10007705 Manitoba Ltd. ("10007705"). 10007705 was incorporated under *The Corporations Act* (Manitoba) on December 14, 2017. The Company owns 50% of the issued and outstanding shares of 10007705. The remaining 50% of the issued and outstanding shares are owned by Canopy Growth Corporation, an arm's length third party. 10007705 was created to hold a retail license to sell cannabis in the Province of Manitoba. See "Quarterly Highlights – Vertical Integration and Retail Cannabis Sales" below for a description of the business of 10007705.

Quarterly Highlights:

Cannabis Cultivation, Processing, and Facility Expansion

In the first quarter of 2019, the Company's principal expansion activities were focused on the Delta Facility. The primary purpose of the Delta Facility is to cultivate, process and manufacture high-quality cannabis products.

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

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

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

For 2019, management's stated goal is to complete its Phase II expansion plans for the Delta Facility by increasing the overall number of Grow Pods approved by Health Canada to 608, from 202 Grow Pods as at March 31, 2019. This expansion is planned to increase the Company's overall production capacity to approximately 16,500 KG/ year of dried cannabis flower, from 5,350 Kg/year of dried cannabis flower as at March 31, 2019. For more information, see "Subsequent Events - Health Canada Expansion Approval for Phase II".

Westleaf Project

On April 18, 2018, the Company and Westleaf Cannabis Inc. ("Westleaf"), as limited partners, entered into a limited partnership agreement with Delta West GP, as general partner, creating Delta West LP to jointly develop a large-scale cannabis production facility located in Southern Alberta (the "Westleaf Project"). As at such date, the Company and Westleaf each owned 50% of Delta West GP and Delta West LP and each made an initial capital contribution of $3,000,000.00 to Delta West LP, which funds were used together with debt financing to finance the development of the Westleaf Project.

On January 31, 2019, the Company sold its 50% interest in Delta West GP and Delta West LP to Westleaf in consideration for 5,600,000 common shares of Westleaf (the "Westleaf Shares"). The deemed price for the Westleaf Shares is based on the closing price of the Westleaf Shares on the TSXV on January 25, 2018 of $2.67 per Westleaf Share, representing a purchase price of approximately $14,950,000. On closing, the Company entered into a voluntary escrow agreement with Westleaf whereby 1,000,000 of the Westleaf Shares are restricted from transfer for 4 months and 4,600,000 of the Westleaf Shares are restricted from transfer for 8 months from January 31, 2019.

Portfolio of Cannabis Products

Dried Cannabis Flower

The Company currently produces approximately 30 different genetic strains of cannabis, each with its own unique chemical cannabinoid content, terpene, and flavonoid profiles, and with another 40 strains being stored on site in a seed bank to provide for product options in the future. All cannabis production by the Company is done at the Delta Facility. Management believes that the Company has one of the largest in-house stocks of unique genetic cannabis strains among cannabis producers in Canada. The Company currently produces, processes and dries these genetic cannabis strains into whole flower cannabis products. “Whole flower” cannabis refers to the unaltered flower of the female cannabis plant that appears in “bud” form. No undesirable components such as stalks, stems and leaves are included in whole flower cannabis. Whole flower dried cannabis currently accounts for approximately 90% of the Company’s overall product offering.

Blended Cannabis Flower

The Company currently produces and sells a selection of blended cannabis products, which consists of several high-quality dried cannabis products blended together to produce a milled finished product. The products used for the blend are products which would not otherwise meet quality standards for whole flower dried cannabis and, as opposed to becoming a waste product, are turned into a cheaper blended material, which is used by the Company for pre-rolled joints or cannabis cigarettes, and cannabis teas, extracts and edible products. The Company’s house blended products currently account for approximately 10% of its overall product offering.

Dried Sift Cannabis

The Company is currently developing a line of dried sift cannabis products for the recreational cannabis market which involves sifting the Company’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. The Company plans to release dried sift products in the recreational cannabis market in 2019.

Pre-Rolls

The Company is currently developing a line of pre-rolled cannabis products, which consist of blended cannabis flower, rolled in a cigarette format, or “joint”, for sale in the recreational cannabis market. The Company plans to release dried pre-rolled products in the recreational cannabis market in 2019.

Oils, Extracts, and Derivative Products

The Company, through its subsidiary Delta 9 Bio-Tech, is currently licensed to produce cannabis oils, extracts, and derivative products. However, Delta 9 Bio-Tech is not currently licensed to sell these materials and has not commercialized a product in these lines to the point that it is ready for sale to the public. It is management’s belief that these products will become an increasingly important component of the medical and recreational use cannabis markets in the future. The Company made its application to Health Canada for sales approval in February 2019 and anticipates it will receive approval for sale of its first run of cannabis extract products by the end of the second quarter of 2019.

Nanosphere Master License Agreement and Product Development

On July 31, 2018, the Company entered into a memorandum of understanding (the "Nanosphere MOU") with Nanosphere Health Sciences Inc. ("Nanosphere") to negotiate and enter into a master agreement (the "Nanosphere Agreement") pursuant to which Nanosphere would grant a master license for Nanosphere's technology to the Company for all of Canada. Nanosphere's technology is a delivery system for cannabinoids that works by nano-encapsulating active ingredients in phospholipid membranes for transportation through the skin and mucosa into the bloodstream of a person within minutes. The cannabis applications of the technology include transdermal viscous gels, intranasal products and intraoral products, all of which provide rapid results, precise dosages and high bioavailability. Nanosphere's delivery system can eliminate the need for inhalation or ingestion of cannabis offering users a potentially safer and more effective way of consumption.

The Nanosphere MOU was replaced by the Nanosphere Agreement on January 24, 2019. The Nanosphere Agreement provides that the Company shall pay Nanosphere a licensing fee of $500,000 while Nanosphere will equip the Company's production lab and train the Company's staff in the production of Nanosphere's technology.

Under the Nanosphere Agreement, the Company and Nanosphere will each receive 50 per cent of the net revenue from sales of Nanosphere products in Canada. The Company has the right to sub-contract distribution to third-party license holders in Canada where the opportunity exists. Under those circumstances, the Company would receive a portion of that sub-licensee's net profit, and remit 50 per cent of the net revenue to Nanosphere.

The initial term of the Nanosphere Agreement is 36 months following the date Health Canada approves the licensed Nanosphere products for sale.

Medical Cannabis Market and Distribution

The Company derives a portion of its revenues from sales of medical cannabis products directly to patients who have received a medical document from their health care practitioner. Management believes that the introduction of oils and extract products into the Company's product offering in 2019 will result in expanded revenue streams and provide a stronger value proposition for medical clients.

The main driver for growth and medical cannabis client acquisition over 2018 and the first quarter of 2019 has been the Company's branded medical clinic in Winnipeg, Manitoba. Delta 9 Lifestyle operates a clinic located at 478 River Avenue in Winnipeg, Manitoba, in the heart of the Osborne Village area, which is a high density, mixed use character neighborhood on the periphery of the downtown core. The clinic helps market the "Delta 9" brand to patients and provides physician consultation services to patients seeking a medical recommendation for a cannabis prescription.

It is management's belief that over the long term, pharmacies will be integrated into the distribution chain for medical cannabis products. On April 10, 2018, the Company announced that it entered into a non-binding letter of intent with Pharmasave Drugs (National) Ltd. ("Pharmasave") to become a preferred supplier of medical cannabis to Pharmasave and its affiliates. The letter of intent is to be replaced and superseded by the terms and conditions of definitive agreements to be entered into between the parties providing for the supply and distribution of Delta 9 Bio-Tech's medical cannabis through Pharmasave pharmacies, pending changes to applicable laws to allow such distribution. Pharmasave is a member owned and governed cooperative of more than 650 independent community pharmacies across Canada.

Recreational Cannabis Market and Distribution

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. Provincial and municipal governments were given explicit authority by the federal government to provide regulations regarding retail sales 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 *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.

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

Manitoba Supply Agreement

On June 27, 2018 the Company entered into a supply agreement with the Manitoba Liquor & Lotteries Corporation (the "MLLC") to supply the Province of Manitoba with a minimum of 2,300,000 grams of recreational dried cannabis products over the one-year term of the agreement. Under the Supply Agreement, MLLC will supply Manitoba retailers with a range of the Company's products ranging from the Company's lower-end blended products to a selection of the Company's premium cannabis products. The Company delivered its first wholesale shipment of recreational cannabis products to MLLC in September, 2018.

Auxly Supply Agreement

On September 5, 2018, the Company entered into a supply agreement with Auxly Cannabis Group Inc. ("Auxly") whereby effective January 1, 2019 and until January 1, 2029, Auxly has the right to purchase 1,000 kilograms of dried cannabis per annum as well as 100 kilograms of cannabis trim per annum from the Company. In addition, effective July 1, 2020 and until July 1, 2030, Auxly will have the right to purchase an additional 4,000 kilograms per annum as well as 400 kilograms of cannabis trim per annum from the Company.

Saskatchewan Wholesale Listing

On February 27, 2019, the Company announced that the Saskatchewan Liquor and Gaming Authority authorized the Company to supply cannabis directly to Saskatchewan's retail and wholesale markets. The Company completed its first shipment to retailers in Saskatchewan in the first quarter of 2019.

Future Supply Agreements

As the Company increases its cannabis production capacity, it plans to expand its distribution into additional provincial markets through supply listings or formal supply agreements in those markets. For an example, see "Subsequent Events – Alberta Wholesale Listing".

Vertical Integration and Retail Cannabis Sales

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

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

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

On February 16, 2018, the Government of Manitoba announced that it conditionally awarded a consortium comprised of the Company and Canopy Growth the opportunity to become licensed to legally retail recreational cannabis in the province of Manitoba upon legalization of recreational use cannabis. The issuance of the Manitoba retail licence (the "Retail Licence") was conditional on 10007705 entering into an agreement with the Government of Manitoba to establish and operate retail cannabis stores and satisfying a series of other conditions as part of the retail licensing process, all of which conditions have now been satisfied.

The Retail Licence is held by 10007705, a company incorporated under laws of the province of Manitoba on December 14, 2017, equally owned by the Company and Canopy Growth. The Retail Licence allows each of the Company and Canopy Growth to licence individual retail store locations to sell recreational cannabis, which are independently owned, operated, and branded by subsidiaries of the Company and Canopy Growth, respectively.

As at March 31, 2019, the Company, through its partially-owned subsidiary Delta 9 Lifestyle, operated two retail stores that sell recreational cannabis under the trade name "Delta 9 Cannabis Store", in Winnipeg, Manitoba. The Company plans to open and operate up to an additional 15 retail outlets stores in jurisdictions which allow for privatized cannabis retail over the next 24 months.

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

Retail Store Openings (Winnipeg)

On March 21, 2019, the Company opened its flagship retail store in Winnipeg, Manitoba. The approximately 2,834 square foot retail store is located in the heart of Winnipeg's Osborne Village area, which is a densely populated location with significant daily foot and vehicle traffic.

Business to Business Opportunities

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

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

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

Discussion of Operations:

Key Performance Indicators	**For the three-month period ending March 31, 2019**
Production/ Wholesale Unit	
Total Grams Produced	418,901
Direct Production Cost Per Gram*	$1.44
Total 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

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

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

Revenue, Cost of Sales and Gross Profitability

Total Net Revenues for the three-month period ending March 31, 2019 were $5,632,184 versus $332,107 for the three-month period ending March 31, 2018, an increase of 1595% compared to the previous year. Sequential Net Revenues increased 7% from $5,270,217 for the three-month period ending December 31, 2018. Management attributes the overall increase in revenue from the previous year to the Company's ability to capitalize on the sale of recreational use cannabis products in the wake of legalization on October 17, 2018.

The following chart provides a breakdown of the Company's revenue by segment:

Revenue from the Sale of Cannabis	**Three-month period ending March 31, 2019**	**Three-month period ending March 31, 2018**
Wholesale Cannabis Revenue	$2,935,641	-
Retail Cannabis Revenue	2,437,094	-
Medicinal Cannabis Revenue	96,560	224,107
Revenue from Other categories		
Business to business activities	45,000	61,500
Merchandise and cannabis devices	155,071	12,892
Other	46,737	33,608
Sub total	**$5,716,103**	**$332,107**
(Less) Excise Taxes	83,919	-
Net Revenue	**$5,632,184**	**$332,107**

The cost of sales of cannabis products for the three-month period ending March 31, 2019 was $3,815,930 (68% of overall revenue) versus $223,169 (67% of overall revenue) for the three-month period ending March 31, 2018). This also compares to 73.4% of overall revenues for the three-month period ending December 31, 2018.

Management would highlight the proportionate decrease in cost of sales versus the period ending December 31, 2018 due to increased sales volumes from the production and wholesale cannabis division. Management anticipates that as production capacity increases in 2019 that cost of production and cost of sales will continue to trend down as a percentage of overall revenues, due to incremental efficiencies in labour costs and increased purchasing power for key inputs. This should assist in driving gains in overall Gross Profitability over the year.

Gross profit, after accounting for the unrealized gain from changes in the fair value of biological assets, for the three-month period ending March 31, 2019 was $4,222,989 (75% of overall revenue) versus $202,695 (61% of overall revenue) for the three-month period ending March 31, 2018, an increase of 1983%. Sequential gross profit increased 26% from the three-month period ending December 31, 2018.

Operating Expenses

Operating expenses for the three-month period ending March 31, 2019 were $5,169,169 versus $2,125,958 for the three-month period ending March 31, 2018, an increase of $3,043,211. This also compares to operating expenses of $5,493,426 for the three-month period ending December 31, 2018, a decrease of 6%. Management would highlight the decrease in overall operating expenses over the previous quarter as generally positive and an indication that cost controls implemented by management will allow the Company to reach profitability within the 2019 calendar year.

Net Gain/ Loss

The Company recorded a loss from operations for the three-month period ending March 31, 2019 of $946,180 versus a loss of $1,923,263 for the three-month period ending March 31, 2018. This also compares to a net loss of $2,151,486 for the three-month period ending December 31, 2018. Management would highlight that increased revenues, gross margin, and cost controls has allowed the Company to narrow its quarterly loss from operations over the period.

The Company's net income for the three-month period ending March 31, 2019 was $11,106,345 versus a net loss of $1,923,760 for the three-month period ending March 31, 2018. Management would highlight the one-time gain on the disposal of the Westleaf Project investment as contributing a significant non-cash gain during the period. Please refer to Quarterly Highlights – "Westleaf Project" above for details regarding the Westleaf transaction.

Summary of Quarterly Results:

Consolidated Statement of Net Loss	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	**$5,632,184**	**$5,270,217**	**$1,251,213**	**$715,746**
Cost of Sales	$3,815,930	$4,015,644	$938,733	$380,520
Gross Profit Before Unrealized Gain From Changes In Biological Assets	$1,816,254	$1,254,573	$312,480	$335,226
Unrealized gain from changes in fair value of biological assets	$2,406,735	$2,087,367	$1,218,257	$328,214
Gross Profit (Loss)	**$4,222,989**	**$3,341,940**	**$1,530,737**	**$663,440**
Expenses				
General and Administrative	$3,451,900	$3,296,351	$2,790,227	$2,064,333
Sales and Marketing	$969,202	$1,389,241	$300,138	$265,332
Share Based Compensation	$748,067	$807,834	$671,606	$521,598
Total Operating Expenses	**$5,169,169**	**$5,493,426**	**$3,761,971**	**$2,851,263**
Income (Loss) from Operations	**$(946,180)**	**$(2,151,486)**	**$(2,231,234)**	**$(2,187,823)**
Other Income/ Expenses	**$12,052,525**	**$69,033**	**$(164,075)**	**$4,814**
Net Income (Loss)	**$11,106,345**	**$(2,082,453)**	**$(2,395,309)**	**$(2,183,009)**
Basic and Diluted Earnings (Loss) Per Share	**$0.13**	**$(0.02)**	**$(0.03)**	**$(0.03)**

Consolidated Statement of Net Loss	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Revenue	**$332,107**	**$302,284**	**$303,877**	**$190,099**
Cost of Sales	$223,169	$42,237	$269,815	$155,354
Gross Profit Before Unrealized Gain From Changes In Biological Assets	$108,938	$260,147	$34,062	$34,745
Unrealized gain from changes in fair value of biological assets	$93,757	$(1,841)	-	$208,850
Gross Profit (Loss)	**$202,695**	**$258,206**	**$34,062**	**$243,595**
Expenses				
General and Administrative	$1,381,122	$(74,369)	$689,612	$1,207,954
Sales and Marketing	$123,646	$239,507	$69,309	$108,797
Share Based Compensation	$621,190	$257,189	-	-
Total Operating Expenses	**$2,125,958**	**$422,327**	**$758,921**	**$1,316,751**
Income (Loss) from Operations	**$(1,923,263)**	**$(164,121)**	**$(724,859)**	**$(1,073,156)**
Other Income/ (Expenses)	**$(497)**	**$(5,424,258)**	**$8,844**	**$775**
Net Income (Loss)	**$(1,923,760)**	**$(5,588,379)**	**$(716,015)**	**$(1,072,381)**
Basic and Diluted Earnings (Loss) Per Share	**$(0.02)**	**$(0.01)**	**$(0.02)**	**$(0.02)**

Liquidity:

Working Capital Position

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

As at March 31, 2019 the Company maintained a strong working capital position of $18,832,718 versus $20,662,676 for the period ending December 31, 2018. Management believes that it is well capitalized for its planned expansion over 2019 and will use a mix of working capital on hand, operating cash flows and, if necessary, debt and equity financing to continue its expansion over the coming year.

Capital Resources:

The Company has made the following capital commitments for 2019;

- Current Lease Liabilities: $790,660

The Company had sufficient capital resources as at March 31, 2019 to meet its capital commitments.

Off-Balance Sheet Arrangements:

As at March 31, 2019, the Company had no off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Transactions Between Related Parties:

Related entities have advanced funds to the Company through various loans, some of which were secured by promissory notes and others which were unsecured with not specified terms of repayment.

During the three-month period ending March 31, 2019, the Chairman and the Chief Executive Officer of the Company used their corporate credit cards to cover expenses of the Company. As at March 31, 2019, $63,404 was advanced to the Company to prepay expenditures.

On April 1, 2017, Delta 9 Bio-Tech entered into a unanimous shareholders agreement with the other shareholder of Delta 9 Lifestyle, 7217804. In 2017, Delta 9 Bio-Tech provided a shareholder loan in the amount of $51,000 to Delta 9 Lifestyle and 7217804 provided a shareholder loan of $49,000 to Delta 9 Lifestyle. These loans are unsecured, non-interest bearing and with no specific date of repayment. The funds from these loans were used for initial fixturing of the medical clinic operated by Delta 9 Lifestyle. As at March 31, 2019, $48,951 remained outstanding to 7217804.

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

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 "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 Convertible Notes is convertible into Class A common shares of Delta 9 Lifestyle. The Convertible Notes accrue and bear interest at a rate in accordance with the following:

(i) From January 1, 2019 to June 30, 2019, the principal sum, from time to time, shall bear 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, from time to time, shall bear interest at a rate equal to 6% per annum, calculated and payable monthly; and

(iii) From January 1, 2020 until repayment in full, the principal sum and all interest thereon the Convertible Notes shall bear interest at a rate determined by the shareholders of Delta 9 Lifestyle on or before January 1, 2020, but in no event shall such interest rate be less than 6%.

At any time after June 30, 2019, but no later than 90 days prior to the maturity date of the Convertible Notes, 7217804 and/or Delta 9 Bio-Tech may convert all or any part of the then-principal sums under the Convertible Notes into Class A common share of Delta 9 Lifestyle at the price of $60,000 per Class A common share of Delta 9 Lifestyle, subject to adjustments in accordance with the Convertible Notes.

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 has 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 Convertible Notes, and if 7217804 fails to do so before such date, Delta 9 Bio-Tech has the opportunity to advance such shortfall to Delta 9 Lifestyle on the terms set out in the Convertible Notes.

For a summary of the lease and property purchase agreements between the Company and 6599362 Manitoba Ltd. ("6599362"), see "Proposed Transactions" below. 6599362 is a related party of the

Company because it is controlled by Joanne Duhoux-Defehr, a director of the Company and Delta 9 Bio-Tech, and members of her family.

The Company has leased a property where one of its retail stores is located from 3981496 MB Inc., a company owned and controlled by the beneficial owner of 7217804. The monthly rent for the lease is $24,818 per month.

Proposed Transactions:

Property Acquisitions

The Delta Facility is located at 760 Pandora Avenue in Winnipeg, Manitoba. At that same location are three additional warehouse buildings having a total floor area of approximately 100,000 square feet, and approximately 40 acres of additional land located adjacent to the Delta Facility that the Company may acquire (collectively, the "Expansion Properties"), as described below.

Delta 9 Bio-Tech owns the Delta Facility and leases a 55,162 square foot warehouse facility (the "Expansion Facility") from 6599362. The Expansion Facility forms part of the Expansion Properties. 6599362 owns the Expansion Properties (including the Expansion Facility).

The original lease agreement in respect of the Delta Facility was entered into between Delta 9 Bio-Tech and 6599362 on February 1, 2015. It expired and was replaced with the five-year lease agreement dated March 19, 2018 and effective February 1, 2018 between Delta 9 Bio-Tech and 6599362 in respect of the Delta Facility (the "Delta Facility Lease"). The Delta Facility Lease was terminated on October 11, 2018 when the Delta Facility was purchased by Delta 9 Bio-Tech from 6599362 pursuant to an option agreement dated March 23, 2018 (the "Option Exercise Agreement"), between Delta 9 Bio-Tech and 6599362, as described below. Under the Delta Facility Lease, the basic rent was $531,366 and the operating recoveries were $138,207 per year until March 31, 2018, after which the basic rent and operating recoveries increased to $636,570 and $151,756 per year respectively until the early termination of the Delta Facility Lease on October 11, 2018. The Company expects the acquisition of the Delta Facility will translate to a net reduction of operating expenses of $39,564 per year. When factoring out depreciation the Company expects the transaction will translate to cash savings of $325,824 per year.

Delta 9 Bio-Tech also leased 27 containers from 6599362, which it used as Grow Pods, at a monthly rent of $9,517.97 under the equipment lease agreements, dated May 19, 2017 and January 17, 2018, between Delta 9 Bio-Tech and 6599362 (the "Equipment Lease Agreements"). The Equipment Lease Agreements were terminated on October 11, 2018 when all of the Grow Pods were purchased by Delta 9 Bio-Tech from 6599362 pursuant to the Option Exercise Agreement, as described below.

On March 19, 2018, Delta 9 Bio-Tech entered into a binding letter of intent (the "Delta LOI") dated March 19, 2018 with 6599362 setting out the terms and conditions pursuant to which it is anticipated that Delta 9 Bio-Tech will purchase the Expansion Properties. On March 19, 2018, Delta 9 Bio-Tech also entered into a lease agreement effective April 1, 2018 with 6599362 pursuant to which Delta 9 Bio-Tech leases the Expansion Facility from 6599362 at a basic rent of $6.60 per square foot per year ($350,875 per year) and additional rent of $4,440 per month.

On March 23, 2018, Delta 9 Bio-Tech entered into the Option Exercise Agreement with 6599362 to exercise its option under the Delta Facility Lease and the Equipment Lease Agreements to purchase: (i) the Delta Facility for a purchase price of $6,250,000 plus applicable taxes; and (ii) 27 Grow Pods for a purchase price (notwithstanding the terms and conditions of the Equipment Lease Agreements) of $951,798, plus applicable taxes. Delta 9 Bio-Tech completed the purchase of the Delta Facility and the 27 Grow Pods on October 11, 2018.

The definitive purchase agreement for the acquisition of the Expansion Properties is currently being negotiated with counsel for 6599362 and is anticipated to incorporate, among other things, the terms of the Delta LOI. Delta 9 Bio-Tech anticipates the acquisition of the Expansion Properties to be completed in the second or third quarter of 2019. The acquisition of the Expansion Properties cannot take place until a subdivision is completed by the City of Winnipeg, a process that may take several months to complete. By letter dated January 31, 2019, the City of Winnipeg confirmed its receipt of the application for subdivision relating to the Expansion Properties, and to date no details of conditions of approval of the subdivision have been received from the City of Winnipeg. The acquisition of the Expansion Properties is also subject to TSXV approval.

Changes in Accounting Policies including Initial Adoption:

For a summary of the accounting policies of the Company and certain proposed changes to accounting standards that may affect the Company, please see Section 3 “Significant Accounting Policies” and Section 4 “Accounting Standards” of the review engaged quarterly financial statements of the Company for the three-month period ending March 31, 2019.

Internal Controls Over Financial Reporting:

The Chief Executive Officer and Chief Financial Officer of the Company, in accordance with National Instrument 52-109 (“NI 52-109”), have both certified that they have reviewed the most recent annual financial report and this MD&A (collectively, the “Annual Filings”) of the Company and that, based on their knowledge having exercised reasonable diligence: (a) the Annual Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the Annual Filings; and (b) the annual financial report together with the other financial information included in the Annual Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented in the Annual Filings.

Investors should be aware that there are inherent limitations on the ability of the certifying officers to cost effectively design and implement Disclosure Controls and Procedures and Internal Controls over Financial Reporting (as those terms are used in NI 52-109). This may result in additional risks to the quality, reliability, transparency and timeliness of interim and Annual Filings and other reports provided under securities legislation.

Financial Instruments and Other Instruments:

The Company’s financial instruments consist solely of cash and cash equivalents, trade and other receivables, accounts payable, accrued liabilities and amounts due to related parties. As at March 31, 2019 there were no significant differences between the carrying value of these items and their estimated fair values because of the short-term nature of these instruments.

Disclosure of Outstanding Share Data:

The Company manages its capital with the objective of maximizing shareholder value and ensuring that it has adequate resources to foster growth and development of the business.

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of Common Shares without par value. The Company has the following securities outstanding as at the date hereof.

Type of Security	Number Outstanding
Common Shares	87,713,478
Warrants[1]	8,521,500
Agents Warrants[2]	30,478
Agents Warrants[3]	596,505
Stock Options[4]	2,251,029
Stock Options[5]	623,700
Stock Options[6]	370,500
Stock Options[7]	3,000,000
Fully Diluted	**103,107,190**

Notes:

1. 8,521,500 warrants issued 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 issued on October 31, 2017, 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;
3. 596,505 agent's warrants issued on December 28, 2017, 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. 2,251,329 stock options issued on October 31, 2017, each exercisable to acquire one Common Share at an exercise price of $0.65 until October 31, 2022, all of which 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. 623,700 stock options issued on January 22, 2018, 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. 370,500 stock options issued on February 20, 2018, 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 issued on September 12, 2018, each exercisable to acquire one Common Share at an exercise price of $1.79 until September 12, 2023. The options vest over two years with 25% vesting every six months, commencing on March 12, 2019.

Subsequent Events:

Developments since March 31, 2019

In addition to the matters set forth in “Proposed Transactions” above, the following events have taken place regarding the Company since March 31, 2019.

Retail Store Openings (Brandon)

On April 2, 2019, the Company opened the “Delta 9 Cannabis Superstore” located in the Brandon Shopping Centre in the City of Brandon, Manitoba. The approximately 4,500 square foot retail store is one of the largest cannabis retail stores in Canada.

Health Canada Export License

On May 8, 2019, the Company announced that Health Canada has granted the Company an export permit to sell starting materials to authorized cannabis license holders in Australia and Tasmania. This permit will allow the Company to complete orders for rooted cannabis plants in these jurisdictions.

International Activities

On May 8, 2019, the Company announced that it has begun marketing and selling its proprietary Grow Pod cultivation system in the United States. The Company completed its first shipment in the second quarter of 2019.

Health Canada Expansion Approval for Phase II

On May 20, 2019, the Company announced that it received approval from Health Canada for an additional 48 Grow Pods, bringing its total number of Grow Pods approved by Health Canada to 202. The Company anticipates that after placing the additional 48 Grow Pods into production, they will add an additional 1,150 kilograms per year of dried cannabis flower production, bringing the Company’s overall anticipated production capacity to 5,350 kilograms of cannabis per year.

Alberta Wholesale Listing

On May 24, 2019, the Company announced that Alberta Gaming, Liquor, and Cannabis (“AGLC”) has authorized the Company to supply cannabis to AGLC for retail sales in the Province of Alberta, Canada. The Company plans to make its first shipment of cannabis to AGLC in the second quarter of 2019.

Risk Factors:

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

Strategic Risks:

Management of Growth

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

Conflicts of Interest

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

Competition

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

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

Growth Strategy and Expansion of Operations

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

Failure to Develop and Market New Products

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

Industry Risks:

Changes in Laws, Regulations and Guidelines

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

Global Economic, Political and Social Conditions

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

Risks Related to the Agricultural Business

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

Vulnerability to Rising Energy Costs

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

Product Transportation Cost and Disruptions

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

Unfavourable Publicity or Consumer Perception

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

Brand Risk

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

Product Liability

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

Shelf Life of Inventory

The Company holds finished goods in inventory, including dried cannabis and oil products, which have a shelf life. The Company's typical turnover rate for inventory varies between 2 weeks and 6 weeks of final production, following the release of the product for sale, however, this turnover rate may change and its inventory may reach its expiration date and may not be sold. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Product Recalls

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

Operational Risks:

Regulatory Risks

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

Reliance on Licenses

The Company's ability to produce, store, and sell cannabis is dependent on its Health Canada License and Retail Licence. Delta 9 Bio-Tech will incur ongoing costs and obligations related to compliance with the Health Canada License and the Retail Licence. Failure to comply may result in additional costs for corrective measures, penalties or in restrictions on Delta 9 Bio-Tech's proposed operations. The Health Canada License is set to expire on August 31, 2019 and although the Company believes that Delta 9 Bio-Tech will continue to meet all of the requirements under Health Canada to renew the Health Canada License there can be no guarantee that Health Canada will extend or renew the Health Canada License.

Retail Regulation

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

Risks of Retail Store Operations

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

Constrains on Marketing

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

Limited Operating History

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

Reliance on the Delta Facility and Expansion Facility

The Company's activities and resources have been primarily focused on the Delta Facility, located in Winnipeg, Manitoba, and the Company expects to continue to be focused on operations at the Delta Facility in the near term pending the expansion of its operations into the Expansion Facility and the Expansion Properties.

Reliance on Management

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

Reliance on Key Inputs

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

Dependence on Suppliers and Skilled Labour

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

Variable Revenues and Earnings

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

Operating Risk and Insurance Coverage

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

TSXV Restrictions on Business

In connection with the closing of the Amalgamation, the Company was required to undertake to the TSXV that it will only conduct the business of the production, sale and distribution of medicinal cannabis in Canada pursuant to one or more licenses issued by Health Canada in accordance with applicable law, unless prior approval is obtained from the TSXV. Accordingly, unless the approval of the TSXV is obtained, the Company will be prevented from expanding into offshore markets, which could have an adverse impact on the growth of the Company.

Accounting Policies and Internal Controls

The Company 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 Company. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance in this regard.

Cyber Security Risks

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

Environmental and Employee Health and Safety Regulations

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

Financial Risks:

Additional Financing Requirements

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

Capital Lending Markets

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

Unprofitable Business Operations

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

Limitations on Forecasting

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

Commodity Taxes and Government Mark-Ups

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

Litigation

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

Share Price Fluctuations

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

Dilution

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