48NORTH CANNABIS CORP.

Condensed Interim Consolidated Financial Statements
(Unaudited)
As at March 31, 2018

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of 48North Cannabis Corp. ("Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under IFRS and reflect management's best estimates and judgment based on information currently available). The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

48NORTH CANNABIS CORP.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2018 and June 30, 2017

(Unaudited – in Canadian dollars)

	March 31 2018 $	June 30 2017 $
	(unaudited)	
ASSETS		
Current		
Cash and cash equivalents	**14,525,043**	3,876,877
Other receivables [note 5]	**234,935**	1,169,307
Prepaid expenses	**183,070**	14,968
Inventory	**—**	43,627
Total current assets	**14,943,048**	5,104,779
Property, plant and equipment, net [note 6]	**12,309,913**	12,381,596
Total assets	**27,252,961**	17,486,375
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**925,068**	912,938
Total current liabilities	**925,068**	912,938
Convertible debentures payable [note 9]	**13,842,243**	—
Total liabilities	**14,767,311**	912,938
Shareholders' equity		
Share capital [note 7]	**23,557,499**	23,513,971
Stock-based payments reserve [note 7]	**3,586,718**	1,916,529
Warrants reserve [note 8]	**5,405,292**	4,839,637
Contributed surplus	**860,518**	107,950
Deficit	**(20,924,377)**	(13,804,650)
Total shareholders' equity	**12,485,650**	16,573,437
Total liabilities and shareholders' equity	**27,252,961**	17,486,375

Continuance of operations and going concern [note 2]
Subsequent events [note 13]

See accompanying notes to unaudited condensed interim consolidated financial statements.

48NORTH CANNABIS CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended March 31, 2018 and 2017
(Unaudited – in Canadian dollars)

	Three months ended March 31		Nine months ended March 31	
	2018	2017	**2018**	2017
	$	**$**	**$**	**$**
PRODUCTION COSTS	**226,589**	—	**324,876**	—
ADMINISTRATIVE EXPENSES				
General and administrative	**1,285,352**	1,495,279	**3,697,511**	3,766,777
Sales and marketing	**299,240**	118,077	**406,879**	403,756
Stock-based payments [note 7]	**225,843**	45,255	**969,332**	149,078
Interest and accretion	**1,185,782**	49,246	**1,185,782**	194,380
Depreciation [note 6]	**180,192**	—	**535,347**	—
	3,176,409	1,707,857	**6,794,851**	4,513,991
Loss before undernoted	**(3,402,998)**	(1,707,857)	**(7,119,726)**	(4,513,991)
Income taxes	**—**	75,522	**—**	75,522
Net and comprehensive loss for the period	**(3,402,998)**	(1,783,379)	**(7,119,726)**	(4,589,513)
Basic and fully diluted loss per share	**(0.058)**	(0.039)	**(0.122)**	(0.099)
Weighted average number of common shares outstanding *[000's]*	**58,552**	46,216	**58,552**	46,216

See accompanying notes to unaudited condensed interim consolidated financial statements.

48NORTH CANNABIS CORP.
Condensed Interim Consolidated Statement of Changes in Equity

For the nine months ended March 31, 2018 and 2017

(Unaudited – in Canadian dollars)

	Common shares		Shares to be issued		Warrants		Share based payment reserve	Contributed Surplus	Deficit	**Total shareholders' equity**
	#	Cad $	#	Cad $	#	Cad $	Cad $	Cad $	Cad $	**Cad $**
Balance, June 30, 2016	**25,486,966**	**9,904,135**	**4,124,747**	**1,795,225**	**5,500,000**	**178,474**	**1,023,463**	**323,568**	**(6,626,550)**	**6,598,315**
Stock based compensation	—	—	—	—	—	—	150,252	—	—	**150,252**
Issuance of common shares (net)	24,915,210	9,811,060	—	—	18,636,364	4,615,831	(46,700)	(308,568)	—	**14,071,623**
Warrants issued for consideration	—	—	—	—	2,090,000	45,332	—	—	—	**45,332**
Net loss for the period	—	—	—	—	—	—	—	—	(4,589,513)	**(4,589,513)**
Balance at March 31, 2017	**50,402,176**	**19,715,195**	**4,124,747**	**1,795,225**	**26,226,364**	**4,839,637**	**1,127,015**	**15,000**	**(11,216,062)**	**16,276,010**
Balance at June 30, 2017	**56,671,948**	**23,513,971**	**—**	**—**	**26,226,364**	**4,839,637**	**1,916,529**	**107,950**	**(13,804,650)**	**16,573,437**
Issuance of common shares (net)	1,913,636	43,528	—	—	—	—	(18,528)	—	—	**25,000**
Stock based compensation	—	—	—	—	—	—	969,332	—	—	**969,332**
Expiry of options	—	—	—	—	—	—	(52,575)	52,575	—	**—**
Issuance of warrants	—	—	—	—	8,901,560	565,654	—	—	—	**565,654**
Issuance of compensation options	—	—	—	—	—	—	771,960	—	—	**771,960**
Issuance of convertible debentures	—	—	—	—	—	—	—	699,993	—	**699,993**
Net loss for the period	—	—	—	—	—	—			(7,119,726)	**(7,119,726)**
Balance at March 31, 2018	**58,585,584**	**23,557,499**	**—**	**—**	**35,127,924**	**5,405,291**	**3,586,718**	**860,518**	**(20,924,376)**	**12,485,650**

See accompanying notes to unaudited condensed interim consolidated financial statements.

48NORTH CANNABIS CORP.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended March 31, 2018 and 2017
(Unaudited – in Canadian dollars)

	Nine months ended March 31	
	2018	2017
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(7,119,726)**	(4,589,513)
Add (deduct) items not involving cash		
Depreciation	**535,347**	—
Amortization of debt discount	**1,185,782**	133,849
Share-based compensation (note 6)	**969,332**	149,078
Future income tax expense		75,522
	(4,429,265)	(4,231,064)
Changes in non-cash working capital:		
Net change in other receivables	**934,372**	370,510
Net change in prepaid expenses	**(168,102)**	235,316
Net change in inventory	**43,627**	(19,616)
Net change in accounts payable and accrued liabilities	**12,130**	353,610
Cash used operations	**(3,607,238)**	(3,291,244)
FINANCING ACTIVITIES		
Proceeds from private placements (net of issuance costs)	—	8,163,258
Proceeds from issuance of convertible debentures (net of issuance costs)	**14,694,068**	—
Proceeds from exercise of stock options	**25,000**	62,500
Promissory note received	**—**	2,090,000
Promissory note repaid	**—**	(80,000)
Cash provided by financing activities	**14,719,068**	10,235,758
INVESTING ACTIVITIES		
Acquisition of property plant and equipment	**(463,664)**	(3,293,592)
Cash used in investing activities	**(463,664)**	(3,293,592)
Net change in cash and cash equivalents during the period	**10,648,166**	3,650,922
Cash and cash equivalents, beginning of period	**3,876,877**	854,222
Cash and cash equivalents, end of period	**14,525,043**	4,505,144

See accompanying notes to unaudited condensed interim consolidated financial statements.

1. Corporate information

48North Cannabis Corp. ("Company" or "48North") was incorporated on January 26, 2017 under the laws of the Province of Ontario. The Company's head office, principal address, and records office are located at 76 Stafford Street, Suite 101, Toronto, Ontario, Canada, M6J 2S1. The Company was originally incorporated as 2558107 Ontario Inc. on December 14, 2017, the Company changed its name to 48North Cannabis Corp.

On July 1, 2017, the Company completed a corporate reorganization with DelShen Therapeutics Corp. ("DelShen"). Each common share of DelShen was exchanged for one common share of the Company and DelShen became a wholly owned subsidiary of 48North. The Company's unaudited condensed interim consolidated financial statements reflect the historical operations of DelShen. Prior to the reorganization, 48North was a shell company with no operations. The Health Canada licence pursuant to the Access to Cannabis for Medical Purposes Regulations ("ACMPR") remains in the name of DelShen.

2. Continuance of operations and going concern

The Company does not have any sources of revenue from its core business activity. On February 28, 2017, Health Canada granted a cultivation licence for the Company's Kirkland Lake facility to produce medicinal cannabis, and the Company is currently working towards obtaining a sales license for the sale of medicinal cannabis. Should the Company not be successful in obtaining the required sales license, the Company will not be able to execute on its strategic plans.

The Company has financed its working capital requirements primarily through equity and debt financings. The Company's ability to continue as a going concern is dependent upon the Company obtaining the sales licence from Health Canada and thus, its ability to commence operations, generate revenues therefrom and raise additional financing as needed to meet its obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to successfully obtain additional financing as needed. These factors cast significant doubt on the ability of the Company to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. These unaudited condensed interim consolidated financial statements do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate for these unaudited condensed interim consolidated financial statements, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used on the unaudited condensed interim consolidated statements of financial position.

3. Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the period ended March 31, 2018.

The condensed interim consolidated financial statements are presented in Canadian dollars. The presentation currency and functional currency of the Company is the Canadian dollar.

The financial statements of DelShen Therapeutics Corp., a wholly owned subsidiary, are included in these unaudited condensed interim consolidated financial statements. All inter-company transactions have been eliminated on consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation.

The Company's Board of Directors approved these unaudited condensed interim consolidated financial statements on May 28, 2018.

4. Significant accounting policies, judgements, estimates and assumptions

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

a) Significant accounting judgments, estimates and assumptions

Significant assumptions about sources of estimation uncertainty that management has made at the condensed interim consolidated statements of financial position date, that could result in a material adjustment to the carrying amounts of the assets or liabilities in the event that actual results differ from the assumptions used, but are not limited to the following:

(i) The inputs used in the calculations for the stock-based payments in the condensed interim consolidated statements of loss and comprehensive loss.
(ii) The inputs used in the valuation of warrants in the condensed interim consolidated statements of changes in equity.
(iii) The bifurcation of the convertible debentures payable into liability and equity components and the determination of a market rate of interest.
(iv) The estimated useful lives and depreciation of the plant and equipment.
(v) The inputs used in assessing the recoverability of deferred tax assets and liabilities.

b) Recent accounting pronouncements and changes in accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRS 2, Share-Based Payment ("IFRS 2")

IFRS 2 was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modification of share based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company is currently assessing the impact of IFRS 2 on its condensed interim consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is currently assessing the impact of IFRS 9 on its condensed interim consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 to replace IAS 11, Construction Contracts, IAS 18, Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of IFRS 15 on its condensed interim consolidated financial statements.

(Unaudited – Expressed in Canadian dollars)

5. Other receivables

	March 31, 2018	June 30, 2017
	$	$
GST/HST recoverable	234,935	689,307
Financing proceeds receivable	–	480,000
	234,935	1,169,307

6. Property, plant and equipment

	Land	Building	Machinery and equipment	Furniture and fixtures	Vehicles	Total
	$	$	$	$	$	$
Cost						
As at June 30, 2016	207,151	657,631	175,183	6,159	58,837	1,104,961
Additions during the period	–	–	128,480	–	–	128,480
Transfer from construction in progress	–	6,765,679	4,499,662	–	–	11,265,341
As at June 30, 2017	207,151	7,423,310	4,803,325	6,159	58,837	12,498,782
Additions during the period	–	367,983	95,681	–	–	463,664
As at March 31, 2018	207,151	7,791,293	4,899,006	6,159	58,837	12,962,446
Accumulated Amortization						
As at June 30, 2016	–	–	18,914	616	14,585	34,115
Depreciation for the period	–	–	68,686	1,109	13,276	83,071
As at June 30, 2017	–	–	87,600	1,725	27,861	117,186
Depreciation for the period	–	126,734	400,978	665	6,970	535,347
As at March 31, 2018	–	126,734	488,578	2,390	34,831	652,533
Net book value						
As at June 30, 2017	207,151	7,423,310	4,715,725	4,434	30,976	12,381,596
As at March 31, 2018	207,151	7,664,559	4,410,428	3,769	24,006	12,309,913

7. Shareholders' equity

[a] Share capital

Authorized share capital consists of unlimited common shares with no par value.

The continuity of share capital is as follows:

	Number	Amount
Balance, June 30, 2016	25,486,966	$ 9,904,135
Issuance of common shares (i)	18,636,364	10,250,000
Less allocated to warrants [note 8]	–	(4,615,832)
Less share issuance costs		(31,411)
Issuance of common shares (ii)	1,940,000	1,940,000
Issuance of common shares for debt (iii)	50,000	50,000
Issuance of common shares on the exercise of options (iv)	280,025	122,751

(Unaudited – Expressed in Canadian dollars)

Issuance of common shares issued on conversion of special warrants (v)	4,124,747	1,795,225
Issuance of common share on the conversion of debentures (vi)	6,153,846	4,099,103
Balance at June 30, 2017	56,671,948	$ 23,513,971
Issuance of common shares for liquidity entitlement (i)	1,863,636	–
Issuance of common shares on the exercise of options (vii)	50,000	43,528
Balance at March 31, 2018	58,585,584	$ 23,557,499

(i) On December 2, 2016, the Company issued 18,636,864 units at a price of $0.55 per share raising gross proceeds of $10,250,000. Each unit comprised one common share and one common "Share Purchase Warrant". Each Share Purchase Warrant allows the holder to purchase one common share at a price of $0.75 per share at any time prior to December 2, 2020. The Company has the right to convert the Share Purchase Warrants prior to December 2, 2020 in the event that (a) the closing trading price of the Common Shares on a recognized Canadian stock exchange is $1.50 or greater for 20 consecutive trading days; or (b) the Company closes an arm's length third party financing for aggregate proceeds equal to or greater than $15,000,000 at an implied pre-money valuation of the Company equal to or greater than $60,000,000. Each purchaser of the Units received one liquidity entitlement ("Liquidity Entitlement") for each Unit purchased. Each Liquidity Entitlement entitles the holder to receive 0.1 of a Common Share for no additional consideration in the event that a Liquidity Event shall not have occurred on or before December 2, 2017. A "Liquidity Event" means either: (i) the Common Shares being listed on a recognized Canadian stock exchange; or (ii) all of the issued and outstanding Common Shares having been sold, transferred or exchanged, pursuant to a take-over bid, amalgamation, plan of arrangement or other business combination, for cash or securities that are listed on a recognized Canadian stock exchange; or (iii) any combination of the events or circumstances described in clauses (i) and (ii) such that all of the Common Shares shall be subject to one or more of clause (i) or (ii). In December 2017, the Company issued 1,863,636 common shares in fulfillment of the liquidity entitlement.
(ii) On June 30, 2017, the Company issued 1,940,000 common shares at a price of $1.00 per share for gross proceeds of $1,940,000.
(iii) During the year ended June 30, 2017, the Company settled an aggregate total debt of $50,000 through the issuance of 50,000 common shares.
(iv) During the year ended June 30, 2017, the Company issued 280,025 common shares upon the exercise of 280,025 options valued at $52,500 for gross proceeds of $70,251.
(v) During the year ended June 30, 2017, the Company issued 4,124,747 common shares for the balance of the Special Warrants and allocated $1,795,225 to common shares from shares to be issued.
(vi) On February 28, 2017, DelShen was granted a cultivation license for the Kirkland Lake facility. This event allowed for the early conversion of convertible debentures with a face value totaling $4,000,000, and accordingly, the Company issued 6,153,846 common shares at a conversion price of $0.65 per share. On conversion, the amortized cost of the debentures of $3,715,013 and the fair value attributed to the conversion feature of $419,820 were reclassified to share capital.
(vii) In March 2018, the Company issued 50,000 common shares upon the exercise of 50,000 options valued at $18,528 for gross proceeds of $25,000.

[b] Stock options

The Company issues incentive stock options through option agreements administered by the Board of Directors of the Company who establish exercise prices, at not less than market price at the date of grant, and expiry dates, which have been set at between three and five years from issuance. Options under the option plan may vest immediately or become exercisable in various increments based on conditions as determined by the Board.

During the three and nine months ended March 31, 2018, the Company recorded $225,843 (2017 – $45,255) and $969,332 (2017 – $149,078), respectively in stock-based payments expense related to employee and contractor options which are measured at fair value at the date of grant and are expensed over the option's vesting period. In determining the amount of stock-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions:

	March 31, 2018	June 30, 2017
Risk-free interest rate	1.54% – 2.13%	0.87% – 1.38%
Expected life of options (years)	3 – 5	3 – 5

(Unaudited – Expressed in Canadian dollars)

Expected annualized violability	70%	70%
Expected dividend yield	nil	nil
Black-Scholes value range	\$0.47 – \$0.64	\$0.28 – \$0.63

Volatility was estimated by reference to the historical volatility of comparable companies. The expected life in years represents the period that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

The following table reflects the continuity of stock options outstanding at March 31, 2018:

	Number of Stock Options	**Weighted Average Exercise Price**
Outstanding, June 30, 2015	3,415,197	\$0.33
Granted	800,000	\$0.50
Outstanding, June 30, 2016	4,215,197	\$0.37
Granted	3,554,902	\$0.89
Exercised	(280,025)	\$0.20
Expired	(715,073)	\$0.18
Outstanding, June 30, 2017	6,770,000	\$0.61
Exercised during the period	(50,000)	\$0.50
Granted during the period	5,330,000	\$0.84
Cancelled during the period	(470,000)	\$0.81
Outstanding, March 31, 2018	11,580,000	\$0.71
Exercisable, March 31, 2018	5,953,333	\$0.68

The weighted average remaining life of the options is 2.8 years.

8. Warrant reserve

The continuity of share purchase warrants outstanding is as follows:

	Number	Amount \$
Balance at June 30, 2016	5,500,000	178,474
Warrants issued with short term advances (i)	2,090,000	45,332
Warrants issued in private placement (ii)	18,636,364	4,615,831
Balance at June 30, 2017	26,226,364	4,839,637
Warrants issued in private placement (iii)	8,901,560	565,654
Balance at March 31, 2018	35,127,924	5,405,291

(i) In November 2016, the Company issued 2,090,0000 warrants in connection with short-term advances by related parties (note 10). Each warrant allows the holder to purchase one common share at a price of \$0.65 per share, any time prior to November 11, 2018.

(ii) The estimated fair value of the warrants issued on December 2, 2016 (see note 7(a)(i)) of \$4,615,831 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 70%, a risk-free interest rate of 1.00% and an expected life of 4 years.

(iii) The estimated fair value of the warrants issued on January 26, 2018 (see note 9) of \$565,654 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 70%, a risk-free interest rate of 2.07% and an expected life of 2.5 years.

As of March 31, 2018, the following warrants were outstanding:

(Unaudited – Expressed in Canadian dollars)

Year of Issue	Exercise Price	Expiration	Underlying Shares	Exercisable
2014	$0.10	January 7, 2019	5,500,000	5,500,000
2016	$0.65	November 11, 2018	2,090,000	2,090,00
2016	$0.75	December 2, 2020	18,636,364	18,636,364
2018	$1.15	January 26, 2020	8,901,560	8,901,560

9. Convertible debentures payable

On January 26, 2018, the Company raised gross proceeds of $16,010,000 by way of a brokered private placement of 16,010 convertible debenture units ("Unit") at a price of $1,000 per unit. Each Unit was comprised of one 48North convertible debenture with a principal amount of $1,000 and 556 warrants to purchase 556 common shares of 48North at a price of $1.15 until the date that is 24 months following the completion of the Qualifying Transaction. The convertible debentures bear interest at 10% per annum, mature on July 26, 2018 and are convertible into common shares at $0.90 per each dollar of debenture on completion of the transaction. 48North paid transaction costs of $1,342,398 in cash and issued 1,245,222 options ("Compensation Options") to brokers. Each Compensation Option is exercisable for one unit of 48North ("Compensation Unit") at an exercise price of $0.90 until the date that is 24 months following the completion of the Qualifying Transaction. Each Compensation Unit is comprised of one 48North Share and one-half of one warrant. Each full warrant allows the holder to purchase one common share of 48North at a price of $1.15 per share until the date that is 24 months following the completion of the Qualifying Transaction.

The debt components of the debentures were measured upon initial recognition based on the present value of the cash flows associated with the debentures, using an annualized discount rate of 20%. Subsequent to initial recognition, the debt components are accreted to the face value of the debentures using the effective interest rate through periodic charges to finance expense over the term of the debentures.

Convertible debentures payable continuity schedule

Balance, June 30, 2017	–	–
Issued	–	12,656,461
Accretion	–	1,185,782
Balance, March 31, 2018	–	13,842,243

10. Related party transactions

The aggregate value of transactions relating to key management personnel were as follows:

	Nine months ended March 31, 2018	Nine months ended March 31, 2017
Consulting, salaries and wages	$ 636,798	$ 498,306
Share-based payment	781,465	102,779
Total	$ 1,418,263	$ 601,085

11. Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period.

12. Financial instruments

The Company's financial instruments are classified into one of the following categories: Other receivables and financial liabilities at amortized cost. The carrying values of the Company's financial instruments are summarized as follows:

	March 31, 2018	June 30, 2017
	$	$
Other receivables [(1)]	14,583,333	4,356,878
Financial liabilities [(2)]	14,767,311	912,937

[(1)] Includes cash and cash equivalents and other receivables
[(2)] Includes accounts payable, accrued liabilities and convertible debentures payable

The Company's financial instruments consist of cash and cash equivalents, other receivables, accounts payable and accrued liabilities and convertible debentures payable. Unless otherwise noted, the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Fair value
The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and advances from shareholder approximates their carrying values due to their short-term maturity.

Credit risk
Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the condensed interim consolidated statement of financial position dates.

(i) Cash
The Company minimizes its exposure to credit risk by keeping the majority of its cash as cash on deposit with a major Canadian chartered bank. Management expects the credit risk to be minimal.

(ii) Receivables
Management does not expect these counterparties to fail to meet their obligations. Accounts receivable are in good standing as of March 31, 2018. The Company does not have receivables that it considers impaired or otherwise uncollectible.

Foreign currency risk
The prices paid by the Company for some services and supplies are paid in U.S. dollars or Mexican pesos and the Company raises funds in Canadian dollars. As at March 31, 2018 the Company believes the currency risk is limited and not a risk to be hedged at the present time.

Interest rate risk
Interest rate risk arises because of changes in market interest rates. The Company is exposed to interest rate risk on short-term advances and convertible debentures. Due to the short-term nature of these borrowings and the fixed nature of their interest rates, the Company believes interest rate risk is minimal.

13. Subsequent events

(i) On April 25, 2018, the Company issued 1,000,000 options to an officer of the Company to purchase shares of the Company at a price of $0.90 for a period of three years.
(ii) On May 1, 2018, the Company issued 200,000 options to an officer of the Company to purchase shares of the Company at a price of $0.90 for a period of three years.
(iii) On May 1, 2018, the Company issued 25,000 options to a consultant to purchase shares of the Company at a price of $1.00 for a period of three years.