MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

FOR THE YEAR ENDED JUNE 30, 2019

48NORTH CANNABIS CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the year ended June 30, 2019

This management discussion and analysis of the financial condition and results of operations ("MD&A") of 48North Cannabis Corp. ("Company" or "48North"), is for the years ended June 30, 2019 and June 30, 2018 and is dated September 27, 2019. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the years ended June 30, 2019 and June 30, 2018. The annual financial statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors on September 27, 2019.

This MD&A provides information that the management of the Company believes is important to assess and understand the results of operations and financial conditions of the Company. All amounts are presented in Canadian dollars, unless otherwise noted. The Company's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com.

Forward-Looking Statements

This MD&A may contain statements that are "forward-looking statements". These include statements about the Company's expectations, beliefs, plans, objectives and assumptions about future events or performance. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "anticipate", "believes", "estimate", "intend", "plan", "would", and "outlook" or statements to the effect that actions, events or results "will", "may", "should" or "would" be taken, occur or be achieved. Forward-looking statements are not historical facts, and are subject to a number of risks and uncertainties beyond the Company's control. Accordingly, the Company's actual results could differ materially from those suggested by these forward-looking statements for various reasons discussed throughout this analysis. Forward-looking statements are made on the basis of the beliefs, opinions and estimates of the Company's management on the date the statements are made and the Company does not undertake any obligation to update forward-looking statements if the circumstances or management's beliefs, opinions or estimates should change. Readers should not place undue reliance on forward-looking statements.

Corporate Information

As of June 30, 2019, 48North, formerly Kramer Capital Corp., currently had two wholly owned subsidiaries, 48North Amalco Ltd. ("Amalco") and Good & Green Cannabis Corp. ("G&GCC"). On August 28, 2019 the Company acquired all of the issued and outstanding shares of Rare Industries, Inc. The Company primarily operates its cannabis business through two, indirect, wholly-owned subsidiaries, DelShen Therapeutics Corp. ("DelShen") and Good & Green Corp. (formerly 2599760 Ontario Corp.) ("G&G"), both of which are licensed under the *Cannabis Act*, S.C. 2018, c.16 (together with the regulations made thereunder from time to time, the "Cannabis Act"). DelShen is licensed to produce, sell and extract cannabis pursuant to the Cannabis Act at DelShen's indoor cannabis production facility ("DelShen Facility"), located near Kirkland Lake, Ontario. G&G is licensed to produce cannabis pursuant to the Cannabis Act at G&G's indoor cannabis production facility ("G&G Facility"), located in Brantford, Ontario and G&G's outdoor cannabis production facility ("Good Farm"), located on 100 acres in Brant County, Ontario. The head office, principal address, and records office are located at 243 Queen Street West, Suite 200, Toronto, Ontario, Canada, M5V 1Z4. 48North is a publicly traded corporation, incorporated in Canada. The Company's common shares ("Common Shares") are listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "NRTH". The April Warrants (as defined below) are listed on the TSXV under the trading symbol "NRTH.WT".

The Company was incorporated under the laws of Alberta on October 29, 2010, and continued into British Columbia in August 2016. The principal business of the Company at that time was to identify and evaluate business or assets with a view to completing a qualifying transaction ("Qualifying Transaction") under relevant policies of the TSXV. The Company had one wholly owned subsidiary, 2622752 Ontario Inc. ("752OI"), which was incorporated with the sole purpose of facilitating a future Qualifying Transaction.

On June 5, 2018, the Company completed its Qualifying Transaction with 2558107 Ontario Inc. (doing business as 48North Cannabis Corp.) ("48N"). As part of the Qualifying Transaction, the Company completed a continuance from the Business Corporations Act (British Columbia) to the *Canada Business Corporations Act*, changed its name to 48North Cannabis Corp. and consolidated its 1,775,000 shares on a 2 to 1 basis to 887,500 Common Shares. Following this change, 752OI amalgamated with 48N which resulted in the formation of Amalco. In connection with that amalgamation, Amalco acquired all of the issued and outstanding shares of 48N and the former shareholders and convertible debenture holders of 48N were issued a total of 76,930,037 post-consolidation Common Shares. Immediately following that amalgamation, 48North had a total 77,817,537 common shares outstanding.

Upon closing of the Qualifying Transaction, the shareholders of 48N owned 98.9% of the Common Shares and as a result, the Qualifying Transaction was considered a reverse acquisition of the Company by 48N. For accounting purposes 48N was considered the acquirer and the Company was considered the acquiree. Accordingly, the consolidated financial statements are in the name of 48North Cannabis Corp., however they are a continuation of the financial statements of 48N.

48N was incorporated on January 26, 2017 under the laws of the Province of Ontario and on December 14, 2017, changed its name to 48North Cannabis Corp. On June 1, 2018, the name was changed back to 2558107 Ontario Inc. On July 1, 2017, 48N completed a corporate reorganization with DelShen. Each common share of DelShen was exchanged for one common share of 48N and DelShen became a wholly owned subsidiary of 48N. The Company's consolidated financial statements reflect the historical operations of DelShen. Prior to the reorganization, 48N was a shell company with no operations. The Health Canada licence pursuant to the Cannabis Act remained with DelShen.

On November 23, 2018, the Company incorporated 2667087 Ontario Inc. as a holding company to effect the acquisition of G&G. On November 30, 2018, 2667087 Ontario Inc. amalgamated with 2599708 Ontario Inc. to form Good & Green Cannabis Corp. G&GCC owns 100% of the issued and outstanding shares of Good & Green Corp. (formerly 2599760 Ontario Corp.), 2618351 Ontario Inc., and 2656751 Ontario Ltd. 2618351 Ontario Inc. is a holding company for the indoor Brantford facility and 2656751 Ontario Ltd. is a holding company for the Good Farm.

Subsequent to year end, on August 28, 2019, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Rare Industries, Inc. ("Rare"), a U.S. multi-state vape technology brand with product distribution in Oregon and Washington. The acquisition marks 48North's first foray into the United States. Consideration for the acquisition at closing includes the cash payment of U.S.$640,796 and the issuance of 2,247,834 of the Company's common shares, at a price of approximately $0.86 per common share. In addition, 48North will pay a conditional earn-out in common shares based on overall operating performance of Rare over the next two years of up to U.S.$3,150,000 representing up to 4,852,460 common shares of the Company.

On August 7, 2019, the Company made a strategic investment of $1.25 million in Friendly Stranger Holdings Corp., a cannabis accessories retailer in Ontario that has been operating for 25 years and aims to add legal cannabis to its offerings after receiving a licence.

On September 12, 2019, the Company secured 1,000,000,000 mg of high-quality active CBD oil from Iverson Family Farms Inc. ("Iverson") through an industrial hemp production contract. Under the terms of the contract, Iverson will harvest industrial hemp on 33 acres of land in 2019 for 48North for the purposes of providing the Company with high-quality active CBD oil.

Business Overview

48North is a vertically integrated cannabis company. The Company primarily operates its cannabis business through two, indirect, wholly-owned subsidiaries, DelShen and G&G, both of which are licensed under the *Cannabis Act*. DelShen is licensed to produce, sell and extract cannabis pursuant to the Cannabis Act at the DelShen Facility, located near Kirkland Lake, Ontario. G&G is licensed to produce cannabis pursuant to the *Cannabis Act* at the G&G Facility, located in Brantford, Ontario and is licensed to produce cannabis pursuant to the *Cannabis Act* at G&G's 100-acre outdoor cannabis production facility, the Good Farm.

On February 28, 2017, Health Canada granted the DelShen Facility a cultivation license and subsequently extended the expiry of the license to February 26, 2021. DelShen planted its first two cannabis crops in June 2017 and harvested them in November 2017. The initial crops were submitted to Health Canada for testing. DelShen's license to sell was granted on June 22, 2018 and is valid until February 26, 2021. On September 13, 2018, Health Canada granted DelShen an extraction license.

On February 28, 2018, 48N and the Company signed an Acquisition Agreement, pursuant to which the Company acquired 100% of the issued and outstanding securities of 48N in exchange for the issuance by the Company of economically equivalent securities to the former securityholders of 48N. Prior to the completion of the Qualifying Transaction, the Company was a Capital Pool Corporation on the TSXV. The acquisition of 48N by the Company constituted a Qualifying Transaction under relevant policies of the TSXV. On June 5, 2018, the Exchange approved the Qualifying Transaction. On June 11, 2018, the Company's Common Shares started trading on the TSXV under the symbol "NRTH".

On October 12, 2018, Health Canada granted the G&G Facility a cultivation license with an expiry of October 12, 2021. G&G planted its initial crops in October 2018 and harvested the initial crops in January 2019. The initial crops were submitted to Health Canada for testing. On March 8, 2019 Health Canada granted the G&G Facility an extraction license. In October 2018, G&G applied for an outdoor grow cultivation license with Health Canada for the Good Farm. On May 17, 2019, Health Canada granted the Good Farm a cultivation license with an expiry of May 17, 2022. In June 2019, the Company completed planting of 10 different cultivars of cannabis seeds at the Good Farm and announced the conversion of the Brantford facility from a cultivation-focused facility into a propagation, processing and packaging facility.

As at June 30, 2018, the Company had no revenues from the sale of medical cannabis. During Q1 of fiscal 2019, the Company began selling to cannabis to other licensed producers. In November 2019, the Company entered into a cannabis supply agreement with Canopy Growth Corporation for dried cannabis. The first transfer under the supply agreement was shipped from 48North's DelShen facility to Canopy in December 2018.

In February 2019, the Company signed a supply agreement with the Société québécoise du cannabis ("SQDC"), Quebec's wholesaler of recreational cannabis. In May 2019, the Company signed a supply agreement with Alberta Gaming, Liquor & Cannabis ("AGLC"), Alberta's wholesaler of recreational cannabis. In June 2019, the Company signed a supply agreement with the Ontario Cannabis Store ("OCS"), Ontario's sole wholesaler and online retailer for recreational cannabis. In June 2019, the Company announced it has shipped product to the SQDC, followed by the OSC and AGLC in August 2019.

The Company's business is focused on Canada. It is a policy of the Company that the Company will not invest, directly or indirectly, in any business that derives revenue from the sale of cannabis or cannabis products in the United States or in any other jurisdiction where the sale of cannabis is federally unlawful. (See "Risk Factor")

48North continues to invest significant time, effort, capital and resources in activities related to the Canadian recreational cannabis market. These investments cover the Company's entire business operations including cultivation, production, marketing, sales and general administration. With the passing of the Cannabis Act on June 19, 2018 and the roll out of the recreational market on October 17, 2018, the Company believes the selling of its cannabis production to other licensed producers during the first two quarters of fiscal 2019 has provided the Company with revenues until such times as we achieved sales channels with provincial governments and ancillary product offering, such as edibles, cosmetics, and health and wellness products are able to be sold into the Canadian market.

Results of Operations

During the fiscal year ended June 30, 2019 the Company generated revenues of $4,832,150 (2018 - Nil) through sales with other licenced producers and to a provincial regulator. With legalization of recreational cannabis having happened on October 17, 2018, the Company believes that, during the first six months of fiscal 2019, sales to other licensed producers can provide better revenues net of sales costs per gram than can be obtained through the retail market. With expected changes in legislation in October 2019 to allow for the sale of other cannabis forms, the Company is preparing to create, package and sell additional cannabis products starting in calendar 2020. As such, inventories have increased as the Company believes that it will need additional cannabis to meet these timelines.

The Company started growing plants and expanded production during the year ended June 30, 2018. During the second quarter of fiscal 2019, the Company changed its accounting policy with respect to production costs related to biological assets. Prior to this change, the Company expensed any costs related to production of biological assets in the period incurred. The Company now capitalizes production costs related to biological assets and expenses these costs to cost of sales before fair value adjustments as the inventory is sold. For 2019, inventory expensed to cost of sales, before fair value adjustments was $1,298,733 (2018 – nil). Non-recurring start-up costs are expensed directly through realized fair value on inventory sold. Unrealized fair value adjustment on growth of biological assets were $6,210,328 (2018 - $528,479) for the year ending June 30, 2019. This adjustment represents the increase in value of plants during the year. Realized fair market adjustment on inventory sold was $(2,162,782) (2018 - $nil) for the year ending June 30, 2019. This adjustment represents the recorded cost of the inventory sold during the year. During the year ending June 30, 2018, $552,715 of costs were capitalized and as the Company did not have a sales license, costs in the amount of $377,604 were determined to be impaired and expensed in the period. Prior to the Company receiving its sales license on June 22, 2018, all DelShen inventories and biological assets were valued at zero (and therefore as the pre-sales license inventories were sold, their corresponding costs were zero).

General and administrative expenses were $6,827,098 for the year ended June 30, 2019 compared to $5,370,212 for the similar period in 2018. Salaries and benefits expense for the year ended June 30, 2018 increased to $4,248,700 from $3,006,704 incurred in the year ended June 30, 2018, which reflects additional staffing required to facilitate significant production increases along with additions to the corporate team. Direct labour production costs of $873,173 were capitalized to biological assets during the year months ended June 30, 2019 compared to $0 during the similar period of fiscal 2018. Furthermore, with the acquisition of G&GCC on November 30, 2018, the results include the G&GCC costs for seven months of operations.

The Company utilized incentive stock options and restricted share units ("RSUs") to attract and maintain key personnel, increasing the share-based compensation expense to $5,758,890 for the year ended June 30, 2019 from $1,666,535 for the year ended June 30, 2018. Share-based compensation for options are valued using the Black-Scholes valuation model and represents a non-cash expense. Share-based compensation for RSUs are valued using the closing price of the Common Shares on the RSU grant date.

Interest and accretion decreased to $nil in fiscal 2019 from $2,408,619 in 2018. This was a non-cash expense and is related to the accounting for the convertible debentures. The debt components of the convertible 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. While the Company had outstanding convertible debentures during fiscal 2018, the debentures were converted as part of the Qualifying Transaction during June 2018.

Listing fees during fiscal 2018 for the Qualifying Transaction of $1,544,254 (2019 - nil) were related to the reverse takeover of Kramer on the TSXV, of which $1,666,535 were non-cash expenses relating to the issuance of shares and fees associated with the transaction.

Depreciation for the year ending June 30, 2019 was $1,149,812 compared to $717,064 in fiscal 2018. During fiscal 2019, the Company started to capitalize some of the depreciation to biological assets. As of June 30, 2019, $542,994 of depreciation has been capitalized (2018 - $nil), of which $251,915 has subsequently expensed on sale of product. During the 2019 fiscal year, the Company added $10,256,867 in net additions, including the purchase of the Good Farm, the addition of fences and other security measures, irrigation systems, and other machinery and equipment to support the inaugural outdoor cultivation.

At June 30, 2019, the Company had an accumulated deficit of $34,352,055.

Selected Annual Financial Information

The following table sets forth a comparison of revenues and earnings on an annual basis for each of the three most recently completed years. The financial data for the 2019, 2018 and 2017 financial years was prepared in accordance with IFRS. The functional currency and the reporting currency of the Company is the Canadian dollar.

	Year Ended June 30, 2019 ($)	**Year Ended June 30, 2018 ($)**	**Year Ended June 30, 2017 ($)**
Revenue	4,832,150	Nil	Nil
Net loss	8,127,074	12,420,331	7,178,100
Loss per share	0.072	0.21	0.18
Total assets	91,022,902	25,862,870	17,486,375
Working capital	56,718,193	11,995,428	4,191,841
Total non-current financial liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

Operating, Financing and Investing Activities
The table below highlights the Company's cash flows for the year ended June 30, 2019 as compared to the year ended June 30, 2018:

	2019	**2018**
Net cash provided by (used in):		
Operating activities	(5,329,846)	(5,725,843)
Investing activities	(6,116,205)	(763,618)
Financing activities	51,980,133	14,844,068
Increase in cash	40,534,082	8,354,607

The following table sets forth, for the quarter indicated, information relating to the Company's revenue, net loss and loss per common share for the eight most recently completed fiscal quarters.

	Revenues $	Net Loss $	Basic and Diluted Net Loss / Share $
September 30, 2017	nil	(1,480,320)	(0.026)
December 31, 2017	nil	(2,236,409)	(0.038)
March 31, 2018	nil	(3,402,998)	(0.058)
June 30, 2018	nil	(5,300,604)	(0.096)
September 30, 2018	1,271,544	(1,011,154)	(0.013)
December 31, 2018	2,386,905	(872,628)	(0.0096)
March 31, 2019	689,203	(1,471,587)	(0.012)
June 30, 2019	484,498	(4,771,705)	(0.0374)

Construction of the Facilities
Construction of the DelShen facility was substantially completed in June 2017, and the Company planted the initial crops in June 2017. During fiscal 2018, the Company transferred the assets on the statement of financial position from construction in progress to property, plant and equipment, reflecting a capitalized expenditure for the facility of approximately $12.5 million, leaving $291,334 in construction in progress at June 30, 2018. During the second quarter of fiscal 2019, with the acquisition of G&GCC, the Company began preparing the Good Farm for outdoor grow operations and the G&G Facility for extraction operations and at year end had $1,536,898 of construction in process.

Liquidity and Capital Resources

On January 26, 2018, 48N completed a $16,010,000 brokered private placement of units (“RTO Unit”) at a price of $1,000 per RTO Unit. Each RTO Unit was comprised of one senior unsecured convertible debenture with a principal amount of $1,000 (each a “Debenture”) and 556 common share purchase warrants (each whole common share purchase warrant, an “RTO Warrant”). Each RTO Warrant will entitle the holder thereof to acquire one Common Share at a price of $1.15 for a period of 24 months following the completion of a listing of the business of 48N on a recognized Canadian stock exchange. On June 5, 2018, the Debentures were automatically converted into Common Shares at a price of $0.90 per share with the completion of the Qualifying Transaction. The Company issued compensation options (“RTO Compensation Options”) to certain brokers to purchase 1,245,222 compensation units (“RTO Compensation Unit”). Each RTO Compensation Option is exercisable to purchase one RTO Compensation Unit at an exercise price of $0.90 until June 5, 2020, with each RTO Compensation Unit being comprised of one Common Share and one-half of one common share purchase warrant (each whole common share purchase warrant, an “RTO Compensation Unit Warrant”). Each full RTO Compensation Unit Warrant will entitle the holder thereof to acquire one Common Share at a price of $1.15 for a period of 24 months following the completion of the Qualifying Transaction.

On November 30, 2018, the Company raised gross proceeds of $3,000,000 by way of a non-brokered private placement of 4,000,000 units (“November Units”) at a price of $0.75 per share. Each November Unit was comprised one Common Share and one quarter common share purchase warrant (each whole common share purchase warrant, a “November Warrant”). Each whole November Warrant allows the holder to purchase one Common Share at a price of $1.15 per share at any time prior to November 30, 2019. The Company has the right to accelerate the expiry date of the November Warrants prior to November 30, 2020, in the event that the closing trading price of the Common Shares on the TSX Venture Exchange is $1.50 or greater for 10 consecutive trading days and a notice of acceleration is provided in accordance with the terms of the November Warrants, following which the expiry date of the November Warrants shall be the date that is 30 days after the date of such notice.

On February 5, 2019, the Company raised gross proceeds of $7,045,000 by way of a non-brokered private placement of 9,393,333 units (“February Unit”) at a price of $0.75 per share. Each February Unit was comprised one common share and one quarter common share purchase warrant (each whole common share purchase warrant, a “February Warrant”). Each whole February Warrant allows the holder to purchase one Common Share at a price of $1.15 per share at any time prior to February 5, 2020. The Company has the right to accelerate the expiry date of the February Warrants prior to February 5, 2020 in the event that the closing trading price of the Common Shares on the TSX Venture Exchange is $1.50 or greater for 10 consecutive trading days and a notice of acceleration is provided in accordance with the terms of the February Warrant, following which the expiry date of the February Warrants shall be the date that is 30 days after the date of such notice. The Company and the holder of the February Units have entered into an agreement that provides the holder a right to require the Company to repurchase its Common Shares at the Company’s 5-day VWAP if certain provisions concerning confidentiality and restrictions against unlawful U.S. operations are breached by 48North.

On April 2, 2019, the Company issued 21,139,760 units (“April Units”), including 2,757,360 April Units from the full exercise of an over-allotment option, by way of short form prospectus offering at a price of $1.36 per April Unit, raising gross proceeds of $28,750,073.60. Each April Unit was comprised of one Common Share and one half of one common share purchase warrant (each whole common share purchase warrant, an “April Warrant”). Each April Warrant allows the holder to purchase one Common Share at a price of $1.72 at any time prior to April 2, 2024. The Company has the right to accelerate the April Warrants prior to April 2, 2024 in the event that the closing trading price of the Common Shares on the TSXV is $3.30 or greater for 10 consecutive trading days and a notice of acceleration is provided in accordance with the terms of the April Warrants, following which the expiry date of the April Warrants shall be the date that is 30 days after the date of such notice. 48North paid transaction costs of $1,937,849 in cash and issued 1,195,416 options (“April Compensation Options”) to certain underwriters in connection with the offering. Each April Compensation Option is exercisable for one unit (“April Compensation Unit”) at an exercise price of $1.36 until April 2, 2022. Each April Compensation Unit is comprised of one common share and one-half of one warrant (each whole common share purchase warrant, an “April Compensation Unit Warrant”). Each April Compensation Unit Warrant allows the holder to purchase one Common Share at a price of $1.72 until April 2, 2024.

On April 2, 2019, the Company exercised its acceleration rights under the warrants expiring on December 2, 2020 and provided notice to those warrant holders that effective May 2, 2019, those warrants will automatically expire. As of May 2, 2019, 18,091,427 warrants were exercised for proceeds of $13,568,570 and 135,757 warrants expired unexercised.

The Company continually monitors its capital resources to assess the liquidity necessary to fund operations and future strategy. As at June 30, 2018 the Company had a cash and cash equivalents balance of $52,756,566. The Company incurred a net loss of $8,127,074 and negative cash flows from operations of $5,335,120 during the year ended June 30, 2019 and, as of that date, the Company had a deficit in the amount of $34,352,055. The Company anticipates it may require additional funding to finance future growth and expansion of production capacity, to expand marketing awareness for the Company's brands and products and to look for acquisition opportunities. The Company has historically financed its working capital requirements primarily through equity and debt financings. The Company's ability to continue as a going concern is dependent upon being able to sell cannabis to other licensed producers, sell into the medical and recreational markets, provide products and brands to the health and wellness market place and thus, its ability to commence profitable operations, generate revenues there from 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 to continue as a going concern.

Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly. The key management team personnel of the Company are the members of the Company's executive management team and the Board of Directors. The aggregate value of transactions relating to key management personnel and the Board of Directors were as follows:

Year ended	June 30, 2019	June 30, 2018
Consulting, salaries and wages	$1,646,325	$986,480
Share-based payment	3,598,853	$1,395,001
Total	$5,245,178	$2,381,481

Included in consulting, salaries and wages are accrued severance expenses of $109,279 which are included in accrued liabilities at year end (2018 - $142,617). Included in accounts payable and accrued liabilities is $59,291 (2018 - $6,865) due to key management.

Total salaries and benefits for the year ended June 30, 2019 was $5,121,873. Included in G&A is $4,248,700 and $873,173 has been capitalized to the production and subsequent sale of dried cannabis.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect upon its results of operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

Use of Estimates and New Accounting Standards

The Company's significant accounting policies under IFRS are contained in note 4 of the audited financial statements for the year ended June 30, 2019 and 2018. Certain of these policies require management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the unaudited condensed interim financial statements relate to going concern assumptions, the estimated useful lives and depreciation of property, plant and equipment, valuation of convertible instruments and share-based payments and fair value measurements for inventory and biological assets.

Summary of Outstanding Share Data

The authorized capital of the company consists of an unlimited number of Common Shares. As of the date of this MD&A, the Company had the following securities issued and outstanding:

Securities	Number
Common Shares	170,886,799
Warrants	22,586,072
Broker compensation units (underlying shares)	1,846,457
Options and restricted share units	17,862,660
Total outstanding	213,181,988

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 9 – Financial Instruments ("IFRS 9")

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9 using the retrospective approach where the cumulative impact of adoption was recognized in retained earnings as at July 1, 2018 and comparatives were not restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) at fair value through profit or loss ("FVTPL"). Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost. The change did not impact the carrying amounts of any of the Company's financial assets and liabilities on the adoption date.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable excluding taxes receivable	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Mortgage payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost

The adoption of IFRS 9 did not have an impact on the Company's classification and measurement of financial assets and liabilities.

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

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 became effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has adopted this new standard as of its effective date using the full retrospective method of adoption, and has assessed no significant changes as a result of the adoption of this new standard.

Under IFRS 15, the revenue recognition model has changed from one based on the transfer of risks and rewards of ownership, to one based on the transfer of control. The Company's contracts with customers for the sales of dried cannabis and cannabis oil include one performance obligation, a promise in a contract with a customer to transfer a good. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, upon shipment or delivery, depending on the contract, the timing and amount of revenue considering discounts, returns, and variable consideration, recognized from this principal revenue stream has not changed as a result of the adoption of this new standard.

IFRS 16 – Leases ("IFRS 16")
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease.

The date of initial application of IFRS 16 is January 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings at the beginning of the 2020 fiscal year. The Company leases its head office building. The Company's current office lease extends to April, 2019. On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases will not be reassessed for whether a lease exists. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. Accordingly, the Company does not expect significant adjustments to opening retained earnings at the beginning of the 2020 fiscal year.

Financial instruments and risk management
The Company's financial instruments consist of cash and cash equivalents, other receivables, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as fair value through profit or loss or other comprehensive loss and recorded at fair value. Other receivables and accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost or amortized cost less any impairment losses related to other receivable. The fair value of cash and cash equivalents, accounts payable and accrued liabilities are equal to their carrying value due to their short-term maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Subsequent to year end, on August 28, 2019, the Company acquired 100% of Rare Industries, Inc. ("Rare") a U.S. multi-state vape technology brand with product distribution in Oregon and Washington state. While Rare's functional is the U.S. dollar, the Company does not believe that there will be significant currency risk.

The fair value of arms-length financial instruments approximates their carrying value due to the relatively short-term to maturity.

Net Proceeds
As part of the April 2, 2019 offering, the net proceeds to the Company from the offering was estimated at \$23,250,060, after deducting the underwriters' fee, and the estimated expenses of the offering (or approximately \$26,775,069 with the over-allotment option being exercised in full). The actual net proceeds were \$26,812,255. The net proceeds from the offering are being used by the Corporation for the enhancement and expansion of existing facilities and build out of extraction capabilities, expenses related to the Good Farm and general corporate and working capital purposes. The allocation of the net proceeds of the offering, reflecting the over-allotment option, is as follows:

Use of Proceeds	Original Amount	Adjusted Amount(1)	Variance
Expansion of G&G Facility – Phase I Enhancement	$4,925,000	$5,925,000(2)	$(1,000,000)
Expansion of G&G Facility – Phase II Expansion	$10,750,000	$10,750,000	$0
Good Farm Expenses	$4,550,000	6,750,000(3)	$(2,200,000)
General Corporate and other Working Capital Purposes	$3,025,060	$3,387,225 (4)	$(362,165)
TOTAL	$23,250,060	$26,812,225	$(3,562,165)

Notes:

(1) The actual net proceeds were higher than projected, with final cash proceeds being $26,812,255.

(2) While the enhancement plans are still being developed, the Company believes that the G&G Facility enhancements will require additional expenditure, largely in the area of extraction equipment.

(3) While the expansion plans are still occurring, the Company believes that the Good Farm expansion will require additional expenditure, largely in the area of security enhancements, farm improvements.

(4) Excess amounts after enhancements and expansions have been allocated to general corporate and other working capital purposes.

Risk Factors

Reliance on Licences

The Company will be dependent on licences, or the ability to obtain licences, which are subject to ongoing compliance and reporting requirements, to conduct its business. Failure to comply with the requirements of these licences or any failure to obtain or maintain those licences could have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantee that a licence will be issued, extended or renewed or, if issued, extended or renewed, that it will be issued, extended or renewed on terms that are favourable to the Company.

In Canada, few applicants for a licence from Health Canada ultimately receive a licence to produce and sell cannabis. Major expenditures may be required in pursuit of a licence or licenses and it is impossible to ensure that the expenditures will result in receipt of a licence or licenses and a profitable operation. There can be no assurances that the Company will obtain any licenses it applies for, or maintain its licences once obtained, to produce and sell cannabis and be brought into a state of commercial production. Should a licence of the Company not be issued, extended or renewed or should it be issued or renewed on terms that are less favourable to the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

The licenses 48North holds are specific to individual facilities. Any adverse changes or disruptions to the functionality, security and sanitation of 48North's sites or any other form of non-compliance may put 48North's licenses at risk, and ultimately adversely impact the business, financial condition and operations. As operations and financial performance may be adversely affected if 48North is unable to keep up with such requirements, 48North is committed to the maintenance of the sites and intends to comply with Health Canada and their inspectors as required.

As 48North's business continues to grow, any expansion to or update of current operating sites, or the introduction of new sites, will require the approval of Health Canada. There is no guarantee that Health Canada will approve any such expansions and/or renovations, which could adversely affect the Company's business, financial condition and operation

Reliance on Facilities

The facilities used by the Company could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by regulatory authorities, could have an impact on the ability of 48North to continue operating under the licences or the prospect of renewing the licences, which may have an adverse effect on the Company.

Expansion and Enhancement of Facilities

Any expansion or enhancement of the Company's facilities is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond 48North's control. These uncertainties include the failure to obtain regulatory approvals or permits, construction delays, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labour, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. Additionally, sufficient power will be required to expand the Company's facilities, which the Company may not be able to secure, or secure at economically viable rates. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, 48North may not be able to achieve the intended economic benefits from the expansion of operations at existing facilities, which in turn may affect 48North's business, prospects, financial condition and results of operations. In particular, any expansion of the facilities is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of 48North and may result in 48North not meeting anticipated or future demand when it arises.

Regulatory Risks
The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur and the Company and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's ability to operate is dependent on its licences from Health Canada and maintaining such licences in good standing. Failure to comply with the requirements of the licences or maintain the licences would have a material adverse impact on the business, financial condition and operating results of the Company.

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

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business with an agricultural product in a regulated industry, the Company will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. The Company's brand and products may not be effectively promoted as intended.

Operating Risks
Cannabis operations generally involve a high degree of risk. The Company is subject to the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect the Company, they may (i) cause the cost of development or production to increase to a point where it would no longer be economic to produce cannabis, (ii) cause delays or stoppage of operations, (iii) cause personal injury or death and related legal liability, or (iv) result in the loss of insurance coverage. The occurrence of any of these risks or hazards could have a material adverse effect on the Company and the price of the Common Shares.

The Company's success also depends, in part, on the ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the ability of the Company to continually produce desirable and effective product, the successful implementation of customer-acquisition or wholesale plans and continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on the Company's business, operating results and financial condition.

Governmental Regulation
The business and activities of the Company are heavily regulated. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of cannabis, and also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

To the knowledge of management, the Company is currently in compliance with the Cannabis Act. Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on its licences to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that there are changes to existing laws, or the enactment of future laws and regulations, that affect the sale or offering of the Company's products or services in any way it may have a material adverse effect on the Company's business, financial condition and results of operations.

There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational adult-use purposes will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec, New Brunswick, Nova Scotia, Prince Edward Island and the Northwest Territories have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis for adult use purposes in such provinces, which could limit the Company's opportunities in those provinces.

Changes in Laws, Regulations and Guidelines
48North's operations are subject not only to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, but also to regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment in the jurisdictions in which they operate. Changes to such laws, regulations and guidelines, including changes related to government taxes and levies, may materially and adversely affect 48North's businesses, financial conditions and results of operations. For more information on recent changes to the regulatory framework of medical and recreational cannabis in Canada.

Production Forecasts
The Company will prepare estimates and forecasts of future attributable production. Such information will be necessarily imprecise because it will significantly depend upon judgment of management. In addition, the Company will rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. These production estimates and projections will be based upon existing plans and other assumptions which change from time to time, and over which the Company may have limited or no control, including estimates related to the costs of production, the ability to sustain and increase production levels, the sufficiency of infrastructure, the performance of personnel and equipment, the ability to maintain and obtain licences and permits and compliance with existing and future laws and regulations. Any such information is forward-looking and no assurance can be given that such production estimates and projections will be achieved. Actual attributable production may vary from the Company's estimates for a variety of reasons and may result in the failure to achieve the production forecasts currently anticipated. If the Company's forecasts prove to be incorrect, it may have a material adverse effect on the Company.

Cannabis Prices
The price of the Common Shares and the Company's financial results may be significantly and adversely affected by a decline in the price of cannabis. There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. The cannabis industry is a

margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company. The profitability of the Company is directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry. Any price decline may have a material adverse effect on the Company.

Reliance on Management

The success of 48North is dependent upon the ability, expertise, judgment, discretion and good faith of senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on 48North's business, operating results or financial condition.

Reliance on Skilled Workers and Equipment

The ability of the Company to compete and grow cannabis will be dependent on it having access to, at a reasonable cost and in a timely manner, 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. It is also possible that the final costs of the major equipment contemplated by the Company may be significantly greater than anticipated by management, and may be greater than funds available, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the operations and financial results of the Company.

Restrictions on Sales and Marketing

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's businesses, operating results and financial condition.

Competition from Synthetic Production and Technological Advances

The pharmaceutical industry may attempt to dominate the cannabis industry through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of 48North to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

TSXV Restrictions on Business

As a condition to listing on the TSXV, the TSXV required that the Company deliver an undertaking ("Undertaking") confirming that, while listed on TSXV, the Company will only conduct the cannabis-related business that is accepted for listing on the TSXV and/or the business of the production, sale and distribution of cannabis in Canada pursuant to one or more licences issued by Health Canada in accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on the Company's ability to do business or operate outside of Canada and on its ability to expand its business into other areas. The Undertaking may prevent the Company from expanding into new areas of business when the Company's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Risks Relating to Intellectual Property Licencing Arrangements with U.S.-based Entities

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities (the "Staff Notice") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework.

On October 16, 2017, the TSXV released a bulletin entitled "*Business Activities Related to Marijuana in the United States*" ("TSXV Bulletin"). Pursuant to the TSXV Bulletin, the TSXV indicated that it considers cannabis-related activities in the United States to be a violation of TSXV policy due to the U.S. federal prohibition on cannabis. Specifically, issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSXV's Listing Requirements ("Listing Requirements"). These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSXV reminded issuers that, it has the discretion to initiate a delisting review if it discovers that an issuer has violated any of the Listing Requirements.

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act, in the United States, cannabis is regulated at the federal and state level. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis continues to be categorized as a Schedule I controlled substance under the United States *Controlled Substances Act* ("CSA"), making it illegal under federal law in the United States to cultivate, distribute, or possess cannabis. This means that while state law in such U.S. states as California and Colorado may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials for activity that is legal under state law.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General James Cole authored a memorandum (the "Cole Memorandum"), addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several U.S. states have enacted laws relating to cannabis.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and therefore it is uncertain how active federal prosecutors will be in relation to such activities. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

On January 15, 2019, U.S. Attorney General nominee William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law.

While state law in such U.S. states as California and Colorado may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against individuals and companies operating in those states for activity that is legal under state law. In the United States, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 33 states, and the District of Columbia, that have now legalized cannabis in some form, including California, Nevada, New York, New Jersey, Washington and Florida. Investors are cautioned that, notwithstanding the permissive regulatory environment of cannabis in certain states, cannabis continues to be categorized as a controlled substance under the CSA and, as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. The inconsistency between federal and state laws and regulations is a major risk factor.

The Company is indirectly involved in ancillary activities related to the cannabis industry in jurisdictions in the United States where local state law permits such activities by virtue of the acquisition of Rare, and therefore the Company may be indirectly associated with the cultivation, processing or distribution of cannabis in the United States. In addition, the Company has intellectual property licensing arrangements with U.S.-based companies that may themselves participate in the U.S. cannabis market, though these relationships are licensing relationships that involve intellectual property developed in the U.S. licensed into Canada, and in no manner involve the Company in any U.S. activities involving cannabis.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on the TSXV or other exchanges, its financial position, operating results, profitability or liquidity or the market price of its listed securities. Overall, an investor's contribution to and involvement in the Company's activities may result in federal civil and/or criminal prosecution, including forfeiture of his or her entire investment.

The Company will only conduct business in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada, the Company's regulatory obligations with the TSXV and the Company's covenants to third parties. Nonetheless, it is possible that the Company's involvement in the United States may become subject to heightened scrutiny by the TSXV. As a result, the Company may be subject to direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to conduct business in the United States. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of the Common Shares on the TSXV, its financial position, operating results, profitability or liquidity or the market price of the Common Shares.

48North will only conduct business activities related to growing or processing cannabis in jurisdictions where it is federally legal to do so. 48North believes that conducting activities which are federally-illegal, or investing in companies which do, puts the company at risk of prosecution, puts at risk its ability to operate freely, and potentially could jeopardize its listing on major exchanges now and in the future, limiting access to capital from large and reputable global funds. Nevertheless, 48North's involvement with participants in the U.S. cannabis industry may later fall into the Staff Notice definition of U.S. marijuana-related activities as a result of the global cannabis industry's ever-evolving legal landscape.

This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of the Common Shares on the TSXV, its financial position, operating results, profitability or liquidity or the market price of the Common Shares. See "*Risk Factors – TSXV Restrictions on Business*" for more information.

Co-Investment Risk

48North may decide to invest with certain strategic investors and/or other third parties through joint ventures or other entities. These parties may have different interests or superior rights to those of 48North. Although it is the general intent of 48North to retain control and superior rights associated with its investments, under certain circumstances, it may be possible that 48North relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In those cases where 48North does maintain a control position with respect to its investments, 48North's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of 48North, or may be in a position to take (or block) action in a manner contrary to 48North's objectives. 48North may also, in certain circumstances, be liable for the actions of its third party partners or co-investors.

Environmental and Employee Health and Safety Regulations

48North'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. 48North will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on 48North's manufacturing operations. Changes in environmental and employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to current operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of 48North.

Risks Inherent in an Agriculture Business

48North's business involves the growing of medical and recreational cannabis, which are agricultural products. As such, the business is subject to the risks inherent in the agricultural business, including pests, plant diseases and similar agricultural risks. While 48North grows its some of its products in a climate controlled, monitored, indoor location at the DelShen Facility and the G&G Facility, there is no guarantee that changes in outside weather and climate will not have a material adverse effect on 48North's ability to cultivate cannabis. In addition, the Good Farm will be subject to agricultural risks, any changes in weather and climate may have a materially adverse effect on 48North's ability to cultivate cannabis outdoors.

Weather and Other Conditions

Like other agricultural products, the quality of cannabis grown outdoors is affected by weather and the environment, which can change the quality or size of the harvest. If a weather event is particularly severe, such as a major drought or hurricane, the affected harvest could be destroyed or damaged to an extent that it would be less desirable to the Company's customers, which would result in a reduction in revenues. If such an event is also widespread, it could affect the Company's ability to acquire the quantity of products required by customers. In addition, other items can affect the marketability of cannabis grown outdoors, including, among other things, the presence of: non-cannabis related material; genetically modified organisms; and excess residues of pesticides, fungicides and herbicides.

A significant event impacting the condition or quality of a large amount of any of the cannabis plants the Company grows or buys could make it difficult for the Company to sell such cannabis or to fill customers' orders. In addition, in the event of climate change, adverse weather patterns could develop in the growing regions in which the Company operates and/or purchases cannabis plants. Such adverse weather patterns could result in more permanent disruptions in the quality and size of the available crop, which could adversely affect the Company's business.

Results From Future Clinical Research
Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids, such as cannabidiol ("CBD") and THC remains in early stages. There have been relatively few clinical trials on the benefits of CBD and THC. Although 48North believes that the articles, reports and studies support its beliefs regarding the therapeutic benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, investors should not place undue reliance on such articles, reports and studies. Future research studies and clinical trials may draw opposing or negative conclusions regarding the facts and perceptions related to cannabis, which could have a material adverse effect on the demand for 48North's products with the potential to lead to a material adverse effect on 48North's business, financial condition, results of operations or prospects.

Third Party Transportation
48North relies on third party transportation services to deliver its products. 48North is exposed to the inherent risks associated with relying on third party transportation services providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on 48North's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect 48North's status as a licencee under the Cannabis Act.

Regulatory or Agency Proceedings, Investigations and Audits
The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

Ability to Establish and Maintain Bank Accounts
While 48North does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for 48North. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that 48North may be required to seek alternative payment solutions. If the industry was to move towards alternative payment solutions 48North would have to adopt policies and protocols to manage these changes. 48North's inability to manage such risks may adversely affect 48North's operations and financial performance.

Intellectual Property
The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses, however, may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Conflicts of Interest
Certain directors and officers of 48North are also, or may become, directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the Company. Consequently, there is a risk that such officers or directors will be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA.

In addition, 48North's directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, 48North's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to 48North. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to 48North.

Fraudulent or Illegal Activity by Employees, Contractors, and Consultants
The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates government regulations, manufacturing standards, federal and provincial healthcare fraud and abuse laws and regulations; or laws that require the true, complete, and accurate reporting of financial information or data. The precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against 48North, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on 48North's business, including the imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits, and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Information Technology Systems and Cyber-Attacks
The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Holding Company Status
48North is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. 48North conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. 48North's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to 48North. The ability of 48North's subsidiaries to pay dividends and other distributions depends on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of 48North's

subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to 48North.

Limited Operating History
48North entered the medical cannabis business in 2018 and the recreational cannabis business in October 2018. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

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

Competition
The Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

The government has only issued to date a limited number of licenses to produce and sell medical and recreational cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there were 232 Licensed Producer sites as of the date of this MD&A. 48North also faces competition from illegal cannabis dispensaries, who do not have a valid license, that are selling cannabis to individuals.

If the number of users of medical cannabis or adult use cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Vulnerability to Rising Energy Costs
The Company's growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Reliance on Key Inputs
The Company is dependent on a number of key inputs and their related costs, including raw materials and supplies related to their growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's financial condition and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition and operating results.

Operating Risk and Insurance Coverage
The Company has insurance to protect its assets, operations and employees. Such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed.

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

Growth Targets
The Company's ability to continue the cultivation of cannabis products at the same pace as it is currently producing or at all, and the Company's ability to continue to increase both the Company's cultivation capacity and the Company's production, may be affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labor costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labor disputes, as well as factors specifically related to indoor agricultural and processing practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes or storms.

Litigation
The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the market price for the Common Shares, and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand. While 48North has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact 48North's business, operating results or financial condition.

Political and Economic Instability
48North may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect 48North's business. Additionally, as legalization of cannabis occurs in markets outside of Canada, including, but not limited to, the United States, the Company may be subject to enhanced competition from foreign cannabis producers, which could adversely impact the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The impact of these factors cannot be accurately predicted.

Global Economy Risk
An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. 48North will be dependent upon the capital markets to raise additional financing in the future, while it executes on its business plans. As such, 48North is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact 48North's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to 48North and its management. If uncertain market conditions persist, 48North's ability to raise capital could be jeopardized, which could have an adverse impact on 48North's operations and the trading price of the Common Shares.

Dividends
Any decision to declare and pay dividends in the future will be made at the discretion of the Company's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of the Company for a price greater than that which such investors paid for them.

Limited Market for Securities
There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Liquidity Risk
48North's ability to remain liquid over the long term may depend on its ability to obtain additional financing. 48North has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. 48North's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Volatile Market Price for Common Shares
The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident in the share price of publicly traded medical cannabis companies in Canada. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

Unfavorable Publicity or Consumer Perception
Management of the Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical cannabis in general, or the Company's proposed products specifically, or associating the consumption of medical cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. The parties with which 48North does business with may also perceive that they are exposed to reputational risk as a result of cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on 48North.

Product Liability
As a manufacturer and distributor of products designed to be ingested or inhaled by humans, 48North faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of 48North's products alone or in combination with other medications or substances could occur. 48North may be subject to various product liability claims, including that 48North's products caused death, injury, illness, or other loss. A product liability claim or regulatory action against 48North could result in increased costs, adversely affect 48North's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of 48North.

There can be no assurance that 48North will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms could prevent or inhibit the commercialization of 48North's products.

Product Recalls
Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects (such as contamination, unintended harmful side effects or interactions with other substances), packaging safety and inadequate or inaccurate labeling disclosure. If any of 48North's products are recalled due to an alleged product defect or for any other reason, 48North could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. 48North may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distracted from day to day operations.

Operating Risk and Insurance Coverage
48North maintains insurance to protect its assets, operations and employees. While 48North believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which 48North may be exposed. 48North may also be unable to maintain insurance

at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. 48North might also become subject to liability for pollution or other hazards which may not be insured against or which 48North may elect not to insure against because of premium costs or other reasons. Losses from these events may cause 48North to incur significant costs that could have a material adverse effect upon 48North's financial performance and results of operations.

Legalization of Recreational Cannabis

The adult-use cannabis industry and market in Canada is subject to certain risks that will be unique to this industry. If any of these risks occur, the Company's business, financial condition, results of operations and prospects could be adversely affected in a number of ways, including by not being able to successfully compete in the adult-use cannabis industry and by being subject to fines, damage awards and other penalties as a result of regulatory infractions or other claims brought against the Company.

On October 17, 2018, the Cannabis Act came into effect. Uncertainty remains, however, with respect to the implementation of the Cannabis Act as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for recreational purposes. The impact of these laws, regulations and guidelines on the Company's business, including increased costs of compliance and other potential risks, remain uncertain and, accordingly, may cause the Company to experience adverse effects.

The Canadian federal regulatory regime requires plain packaging in order to prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restriction on the use of logos and brand names on cannabis products could have a material adverse impact on the Company's business, financial condition and results of operations, as it may be difficult to establish brand loyalty. In addition, the Cannabis Act allows for Licenses to be granted for outdoor cultivation, which may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices, as capital expenditure requirements related to outdoor growing are typically much lower than those associated with indoor growing. Such results may also have a material adverse impact on the Company's business, financial condition and results of operation of The Company.

There is no guarantee that provincial legislation regulating the retail distribution and sale of cannabis for adult use purposes will remain unchanged or that it will be implemented in a way that is favourable to the Company. It is possible for significant legislative amendments to be enacted in each province to address any current or future regulatory issues or perceived inadequacies in the distribution of cannabis. There is no guarantee that provincial or territorial legislation regulating the distribution and sale of cannabis for recreational purposes will create the growth opportunities that are currently anticipated by The Company.

To date, only fresh cannabis, dried cannabis and cannabis oil products are permitted for sale in Canada. Pursuant to the Cannabis Act, certain classes of cannabis products, such as edibles, concentrates and other ingestibles are currently prohibited from sale, but new regulations under the Cannabis Act will come into force on October 17, 2019 to permit edibles, concentrates and other ingestibles to be available for sale no earlier than mid-December 2019. While regulations have been released, the impact of these regulatory changes on the business of The Company is unknown, and the proposed regulations may not be implemented at all or, if they are, may change significantly.

There are significant restrictions on the marketing, branding, product formats and/or distribution channels allowed under the law, which may reduce the value of certain products and brands or negatively impact the Company's ability to complete in the adult-use cannabis market. Adult-use legislation includes a requirement for health warnings on product packaging, the limited ability to use logos and branding (only one logo and one brand name per package), and restrictions on types and avenues of marketing. Additional restrictions may be imposed at the provincial level. While the Company believes it will be able to adapt its brands and products to satisfy these restrictions and to package and successfully distinguish its brands in the marketplace while remaining compliant with the approved or proposes legislation (including all provincial legislation) that has been proposed or passed to date, provincial or other legislation may contain additional restrictions, such as a complete ban on marketing, that impact our ability to do so. Such additional restrictions may impair the Company's ability to develop adult-use brands, and a complete ban on marketing may make it uneconomic or unfeasible to introduce certain brands or products into the Canadian market. Further, each province and territory of Canada has the ability to separately regulate the distribution of cannabis within such province or territory, and any rules adopted by these provinces or territories may vary significantly. Such variance may make participation in the adult-use cannabis market uneconomic or of limited economic benefit and could result in significant additional compliance or other costs and limitations on the Company's ability to compete successfully in each such market.

The Company may face enhanced competition from other Licensed Producers and those individuals and corporations who are licensed under the Cannabis Act to participate in the adult-use cannabis industry. The Cannabis Act establishes a licensing regime for the production, testing, packaging, labelling, delivery, transportation, sale, possession and disposal of cannabis for adult use. Moreover, the Cannabis Act allows individuals to cultivate, propagate, harvest and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. If the Company is unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, the Company's success in the adult-use business may be limited and may not fulfill the expectations of management. The Company will face competition from existing Licensed Producers and other producers licensed under the Cannabis Act. Certain of these competitors may have significantly greater financial, production, marketing, research and development and technical and human resources than the Company. As a result, competitors may be more successful than us in gaining market penetration and market share. The commercial opportunity in the adult-use market could be reduced or eliminated if competitors produce and commercialize products for the adult-use market that, among other things, are safer, more effective, more convenient or less expensive than the products that the Company may produce, have greater sales, marketing and distribution support than the Company's products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our products and receive more favorable publicity than our products. If the Company's adult-use products do not achieve an adequate level of acceptance by the adult-use market, the Company may not generate sufficient revenue from these products, and our adult-use business may not become profitable.

The Company and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and adult-use markets, and the Company may be unable to export that oversupply into other markets where cannabis use is fully legal under all federal and state or provincial laws. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that the Company would be able to generate sufficient revenue from the sale of adult-use cannabis to result in profitability. Moreover, the Cannabis Act imposes further packaging, labelling and advertising restrictions on producers in the adult-use market. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for the Company's products, then sales and operating results could be adversely affected. Further, if the Company fails to comply with the packaging, labelling and advertising restrictions, the Company will be subject to monetary penalties, required to suspend sale of noncompliant products and/or be disqualified as a vendor by government-run provincial distributors.

Additional Information
This MD&A was prepared as of September 27, 2019. The Company regularly discloses additional information by filing press releases and quarterly financial statements on SEDAR (www.sedar.com). More information about the Company can be also found on SEDAR (www.sedar.com).