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

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019

**48NORTH CANNABIS CORP.**
**Management's Discussion and Analysis of Financial Condition and Results of Operations**
**For the three months ended September 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 three months ended September 30, 2019 and is dated November 21, 2019. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended September 30, 2019. The unaudited condensed interim consolidated 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 November 21, 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 September 30, 2019, 48North has three wholly owned subsidiaries, 48North Amalco Ltd. ("Amalco"), Good & Green Cannabis Corp. ("G&GCC") and Rare Industries, Inc. ("Rare"). 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.

On July 17, 2019, the Company made a strategic investment of $1.25 million in Friendly Stranger Holdings Corp., ("Friendly Stranger") 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. The Company purchased 187,500 Class A common shares of the Friendly Stranger for $750,000 and a convertible debenture in the principal amount $500,000 from Friendly Stranger. The debenture matures on June 19, 2021, bears interest at the rate of 6.0% per annum, and is convertible into Class A common shares of Friendly Stranger at a conversion price of $5.00 per share. The conversion may be forced upon Friendly Stranger obtaining authorization for a second retail store location.

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 for full spectrum, additive free products with 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.$312,645 ($416,568) and the issuance of 2,247,834 of the Company's common shares, at a price of approximately $0.84 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 4,852,460 common shares of the Company (with 1,386,407 shares allocated to the first year earnout and 3,466,018 shares allocated to the second year earnout). This has been recorded as a contingent consideration. For the contingent consideration, the Company has applied a weighted average of probabilities of certain milestones having been achieved over the two-year earnout period. Of the $2,038,019 allocated to the contingent consideration, $582,291 is allocated to the first year and $1,455,738 is allocated to the second-year milestones. The Company is in the process of determining the fair market value of the net assets acquired. The final purchase price allocation will be adjusted as needed, pending the finalization of customary post-close adjustments and continued review of the estimates and assumptions used in valuing intangible assets, among other identifiable assets acquired and liabilities assumed, which is expected to be finalized no later than one year after the acquisition date.

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.

On October 9, 2019, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Sackville & Co. Merchandising Ltd. ("Sackville"), a U.S.-based cannabis brand focused on design-forward cannabis accessories. The total consideration payable on closing was approximately USD$789,735 consisting of the following: (i) U.S.$150,000 ($201,570) paid in cash; and (ii) 1,060,368 Company common shares. In addition, 48North will pay a conditional earn-out in common shares based on the operating performance of Sackville for a 12-month period following closing in an amount up to 4,756,624 common shares. Sackville has one wholly owned subsidiary, Parlor (US) Ltd.

**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 and extract 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.

After quarter end, on October 16, 2019, the Company signed a licensing agreement with U.S.-based APCNA Holdings LLC. ("Apothecanna"), to bring its best-selling, premium cannabis topicals brand to Canadian consumers, including Apothecanna's intellectual property and manufacturing techniques for domestic consumption in Canada.

The Company's business is largely 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"). The Company believes that its acquisition of Rare and Sackville, with its operations in the U.S., is consistent with the regulatory exchange guidelines with regards to non-plant touching businesses.

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 initially sold its cannabis production to other licensed producers during the first two quarters of fiscal 2019. Currently the Company has achieved sales channels with a number of provincial governments for the sale of its cannabis and cannabis products and is looking to sell, in calendar 2020, ancillary product offering, such as topicals, and health and wellness products that are able to be sold into the Canadian market.

**Results of Operations**

During the three months ended September 30, 2019 the Company generated revenues of $1,594,679 (2018 - $1,271,544) through sales with other licenced producers and to provincial regulators. With the 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. Furthermore, with the outdoor operations at the Good Farm, as at September 30, 2019, the biological assets increased to reflect the growth cycle of the outdoor grow.

The Company 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 the three months ended September 30, 2019, inventory expensed to cost of sales, before fair value adjustments was $666,162 (2019 – 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 $9,639,900 (2019 - $890,241) for the three months ending September 30, 2019. This adjustment represents the increase in value of plants during the period. Realized fair market adjustment on inventory sold was $(946,932) (2019 - $nil) for the three months ending September 30, 2019. This adjustment represents the recorded cost of the inventory sold during the period.

During May 2019, Health Canada granted the Good Farm an outdoor cultivation license. The poor weather conditions in the spring of 2019 slowed our ability to prepare the fields for our inaugural outdoor crop. Seeding was started in June 2019 with seedling planting being completed in July 2019. At June 30, 2019, the value of the outdoor crop for accounting purposes was $855,582 (see note 6 to the unaudited condensed interim consolidated financial statements with regards to the assumptions used). As the plants grew from seedlings into mature cannabis plants, we continued to add value to the biological growth process. As of September 30, 2019, the value of the outdoor grow was valued, for accounting purposes, at $9,781,042 (5,500,000 estimated equivalent grams) and is reflected in the biological assets on the consolidated statements of financial position. Furthermore, harvested outdoor grow was $373,296 (173,000 estimated equivalent grams) at September 30, 2019 (September 30, 2018 - $nil) and is reflected in the inventory section on the statement of financial position. This assumes that the plants can be fully harvested, dried, cured and ultimately utilized for either flower or extraction purposes. Licencing for drying space requires regulatory approval. Over the past months, we have built three hoop houses (green-house like structures) which we used for initial seeding and ultimately drying and processing. Unfortunately, we have been only able to get one hoop house licensed, which has hampered our ability to convert mature cannabis plants from the field into dry flower and extraction biomass. As such, we expect that the ultimate volumes of dry equivalent grams from the outdoor grow will be less than anticipated. As of November 21, 2019, the date of this MD&A, the Good Farm had harvested approximately 12,000 kilograms of outdoor cannabis, however, there is still uncertainty as to the THC and/or CBD levels of the harvested crop, the allocation between dried flower and extraction grade cannabis and the selling price per gram.

General and administrative expenses were $3,199,414 for the three months ended September 30, 2019 compared to $1,171,029 for the similar period in 2018. Salaries and benefits expense for the three months ending September 30, 2019 increased to $1,582,563 from $605,654 incurred in the similar period of 2019, which reflects additional staffing required to facilitate significant production increases along with additions to the corporate team. Direct labour production costs of $788,878 were capitalized to biological assets during the three months ended September 30, 2019 compared to $182,547 during the similar period of fiscal 2019. Furthermore, with the acquisition of G&GCC on November 30, 2018, the results include the G&GCC costs for three months of operations in fiscal 2020. With the acquisition of Rare on August 28, 2019, the financial statements now reflect two months of operations for Rare.

The Company utilized incentive stock options and restricted share units ("RSUs") to attract and maintain key personnel, with share-based compensation expense of $806,841 for the three months ended September 30, 2019 from $1,305,646 for the three months ended September 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.

Depreciation for the three months ending September 30, 2019 was $340,011 compared to $312,078 for the similar period of fiscal 2019. During fiscal 2019, the Company started to capitalize some of the depreciation to biological assets. As of September 30, 2019, $220,824 of depreciation has been capitalized (2018 - $nil), of which $107,897 has subsequently expensed on sale of product. During the three months ending September 30, 2019, the Company added $2,385,338 in net additions, including the addition machinery and equipment to support the inaugural outdoor cultivation.

At September 30, 2019, the Company had an accumulated deficit of $30,640,449.

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 $ | Comprehensive Income (Loss) $ | Basic and Diluted Net Earnings (Loss) / Share $ |
|---|---|---|---|
| September 30, 2017 | nil | (1,657,898) | (0.029) |
| December 31, 2017 | nil | (2,058,831) | (0.036) |
| 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) |
| September 30, 2019 | 1,594,679 | 2,201,354 | 0.013 |

**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. 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. 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 September 30, 2019 had $1,906,939 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 September 30, 2019 the Company had a cash and cash equivalents balance of $40,392,298. The Company achieved comprehensive income of $2,241,606 and negative cash flows from operations of $8,053,819 during the three months ended September 30, 2019 and, as of that date, the Company had a deficit in the amount of $32,110,448. 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 | September 30, 2019 | June 30, 2019 |
|---|---|---|
| Consulting, salaries and wages | $511,844 | $1,646,325 |
| Share-based payment | 511,180 | 3,598,853 |
| Total | $1,023,024 | $5,245,178 |

**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 | 176,703,791 |

| | |
|---|---|
| Warrants | 18,184,923 |
| Broker compensation units (underlying shares) | 22,586,072 |
| Options and restricted share units | 1,846,457 |
| Total outstanding | 219,321,242 |

**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 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 was effective for fiscal years beginning on or after January 1, 2019. The Company elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company did not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening deficit at the beginning of the 2020 fiscal year. The Company leases its head office building. The Company’s current office lease extends to April, 2020. On transition to IFRS 16, the Company has elected 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 have not been reassessed for whether a lease exists. The Company has elected 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 has accounted for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company has adopted IFRS 16 as of July 1, 2019, and has assessed no changes to the opening consolidated statements of financial position as a result of the adoption of this new standard.

**Recently adopted accounting policies**
**Privately-held investments**
During the three months ended September 30, 2019, the Company made an investment in the Friendly Stranger Holdings Corp. (“Friendly Stranger”). All privately held investments (including conversion features) are initially recorded at the transaction price, being the fair value at the time of acquisition. At the end of each reporting period, the fair value of an investment (depending upon the circumstances) is adjusted using one or more of the valuation indicators described below. These are included in Level 3 of the fair value hierarchy.

Use of the valuation approach described below may involve uncertainties and determinations based on management’s judgement and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will also consider trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.
The fair value of a privately-held investment may be adjusted if:

(i) There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
(ii) There have been significant corporate, political or operating events affecting the investee company that, in management’s opinion, have a material impact on the investee company’s prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management’s judgement and any value estimated may not be realized or realizable;

(iii) The investee company is placed into receivership or bankruptcy;
(iv) Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
(v) Release by the investee company of positive/negative operational results; and
(vi) Important positive/negative management changes by the investee company that the Company's management believes will have a very positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustments to the fair value of a privately-held investment will be based upon management's judgement and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

In addition, the amounts at which the Company's privately-held investments could be currently disposed of may differ from the carrying value assigned.

**Segmented information**
Operating segments are components of the Company that engage in business activities which generate revenues and incur expenses (including intercompany revenues and expenses related to transactions conducted with other components of the Company). The operations of an operating segment are distinct and the operating results are regularly reviewed by management for the purposes of resource allocation decisions and assessing its performance. Reportable segments are Operating segments whose revenues or profit/loss or total assets exceed ten percent or more of those of the combined entity. Key measures used by management to assess performance and make resource allocation decisions include revenues, gross profit and net income (loss). The Company's operating results are currently in one reportable segment and in two geographic markets, being Canada and the U.S.

**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. During Q1 2020, on August 28, 2019, the Company acquired 100% of Rare Industries, Inc. ("Rare") a U.S. multi-state vape technology brand for full spectrum, additive free products with 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.

**Subsequent events**
On October 9, 2019, the Company entered into a definitive agreement to acquire 100% of the outstanding shares of Sackville & Co. Merchandising Ltd. ("Sackville"), a cannabis brand focused on design-forward cannabis accessories. The total consideration payable on closing was approximately USD$789,735 consisting of the following: (i) U.S.$150,000 ($201,570) paid in cash; and (ii) 1,060,368 Company common shares. In addition, 48North will pay a conditional earn-out in common shares based on the operating performance of Sackville for a 12-month period following closing in an amount up to 4,756,624 common shares.

**Risk Factors**
The Company will be subject to certain risk factors. These risks include, but are not limited to, the following: (i) general business risk and liability; (ii) reliance on licenses; (iii) volatile market price for Resulting Issuer shares; (iv) reliance on facilities; (v) expansion of facilities; (vi) holding company status; (vii) limited operating history; (vii) history of net losses; (ix) third party transportation; (x) management of growth; (xi) reliance on management; (xii) conflicts of interest;; (xii) limited market for securities; and (xiv) liquidity risk. Please see

"*Risk Factors*" in the Company's annual MD&A and final prospectus as filed on Sedar and dated September 30, 2019 and March 26, 2019, for a more detailed description.

**Risks Relating to the Cannabis Industry**

The Company is subject to certain risk factors in the cannabis industry. These risks include, but are not limited to, the following: (i) regulatory risks; (ii) environmental and employee health and safety regulations; (iii) changes in laws, regulations and guidelines; (iv) restrictions on sales and marketing; (v) competition; (vi) risks inherent in an agricultural business; (vii) vulnerability to rising energy costs; (viii) product liability; (ix) product recalls; and (x) operating risks and insurance coverage. Please see "*Risk Factors*" in the Company's annual MD&A as filed on Sedar and dated September 30, 2019, for a more detailed description.