



48North Cannabis Corp. Announces 55% Increase in Revenue Fiscal Q3 2020

May 25, 2020— Toronto, Ontario: 48North Cannabis Corp. (“48North” or the “Company”) (TSXV:NRTH), a vertically integrated Licensed Producer focused on manufacturing high-quality cannabis products, building progressive and thought-provoking brands, and low-cost cultivation, has released its financial and operating results for the third quarter ended March 31, 2020. The Company’s financial statements and related management discussion and analysis for the period are available on the Company’s SEDAR profile at www.sedar.com and on the Company’s website at www.48nrth.com/investors.

Financial and Operating Highlights for Fiscal Q3 2020

- Quarterly revenue of \$2.8 million, representing a 55 per cent quarter-over-quarter increase over second-quarter 2020 revenues of \$1.8 million, and a 307 per cent increase over third-quarter 2019 revenues of \$689,000.
- Within Q3, 48North completed the build-out of the Good:House, a state-of-the-art extraction facility expected to be able to process 30,000 kg of cannabis annually. In addition to its current capacity for dried flower and next generation product, the Company is currently commissioning automated packaging lines for dried flower, increasing pre-roll and topical manufacturing capacity, and adding secured storage space.
- To that end, 48North announced the launch of the Company’s strategic partnership with Humble & Fume Inc.’s, Fume Labs, Inc. The partnership will manufacture 48North and humble+fume’s vaporizer products, contract manufacture cannabis products for cannabis brands, licensed producers and retail brands, and leverage humble+fume’s extensive nationwide sales and distribution network and act as the sales agency for products produced at the facility.
- In addition, the Company completed the build-out of the purpose-built drying facility at the Good:Farm, with the capacity to hang dry 48North’s outdoor cannabis harvest. The licence amendment application was submitted May 8, 2020, and the Company expects to receive the necessary approvals before the fall harvest. To see the progress made at 48North’s production facilities, please click [here](#) to see the Company’s recently released corporate video.
- 48North launched its initial suite of next-generation cannabis products. This included 48North’s first vape pen and topical cream. In addition, the Company launched sun-grown flower in Alberta and the Company’s first accessible dried flower brand in Quebec.
- \$17.8 million of cash and cash equivalents on hand at the end of the quarter. During the third quarter, the Company used \$14.8 million during the period, with \$6 million used in operations, \$4.7 million in non-cash working capital and \$4.1 million in investing activities, largely related to the acquisition of property, plant and equipment.
- During the quarter, the Company reviewed its assumptions regarding the licence, goodwill and intangibles amounts, specifically, whether there was any impairment to the balance sheet values. As such, the Company determined that the goodwill and intangible assets relating to the Rare

Industries, Inc. ("Rare") and Sackville & Co. Merchandising Ltd. ("Sackville") acquisitions were impaired and have been written off at quarter end. This has resulted in an impairment of goodwill and intangible charge of \$4.1 million during the quarter.

- The Company also reviewed the underlying assumptions for the inventory valuation and based on current market trends regarding expected selling price per gram, has reduced expected selling price per gram for outdoor from \$1.00 to \$0.50 per gram. As such, during Q3 2020, the Company has increased the fair market adjustment on inventory on the statement of loss by \$5.4 million.
- Looking ahead, it is expected that 48North's quarterly expenses will see a decrease alongside an increase in revenue driven by the sale of additional cannabis products – in new markets and newly launched SKUs in existing markets – and contract manufacturing relationships with cannabis brands, retail brands, other licensed producers, and pharmaceutical brands.

Events Subsequent to Q3 Fiscal 2020

- 48North focused its attention on the successful planting of its second season at the Good:Farm. To date, the Company is using its three licensed hoop-houses on the farm to propagate its clones, adding the necessary amendments to the soil, and removed all single-use plastic from the farm. In addition, the Company has completed the build-out of the state-of-the-art drying facility at the farm and submitted the applicable licence amendment on May 8, 2020. To that end, the Company expects to receive the necessary approval from Health Canada in time for the fall harvest. Finally, the Company expects to begin planting its clones and seeds at the Good:Farm in the beginning of June, a full month ahead of the 2019 season.
- 48North launched a collection of new products in new markets, this includes vape-products, topical products, and additional SKUs of outdoor flower, indoor flower, accessibly priced flower and pre-rolls. Moreover, 48North launched its set of products into British Columbia and Saskatchewan. Looking ahead, the Company has immediate plans to expand into Manitoba and New Brunswick.
- To that end, 48North successfully commercialized its cannabis biomass from the Good:Farm and launched its first offering of next-generation cannabis products. To date, the sell-through of these products has been strong and the Company expects this trend will continue.
- 48North signed a key supply agreement with Medical Cannabis by Shoppers Drug Mart Inc. ("Shoppers"), a subsidiary of Shoppers Drug Mart Inc. Under the terms of the agreement, 48North will become a supplier of cannabis and cannabis products through the Shoppers online sales platform. As a result, 48North-branded products and licensed brands will now be available to Medical Cannabis by Shoppers™ patients across Canada.
- 48North signed a supply agreement with Pax Labs (Canada) Inc. At launch, fume labs will manufacture two cannabis oil pods for the PAX Era and PAX Era Pro, which will be available to consumers within the quarter.
- In addition, 48North successfully managed to operate at full-capacity throughout the evolving COVID-19 situation. Through the implementation of increased health and safety protocols the Company was able to increase through-put, launch new products, enter new markets, finish construction activities and begin production for the second season at the Good:Farm. To that end, 48North as seen an increase in sales volumes since the start of pandemic.
- In an effort to sharpen its focus on the Canadian marketplace, the Company announced two divestments, specifically 48North returned Rare and Sackville, two U.S.-based cannabis companies, to their previous ownership.

- Finally, the Company launched its second edition of *Latitude*, 48North’s onmi-channel customer acquisition tool focused on building brand, targeting new customers and engaging existing 48North consumers.

“This quarter marked an important turning point for 48North,” said Charles Vennat, CEO of 48North Cannabis Corp. “When appointed as the Company’s CEO, I inherited a strong brand with significant consumer demand, however the organization required operational and structural improvements to satisfy this demand.

We have now laid the groundwork for sustained, accelerated and future growth, and done so while increasing quarterly revenue by 55%. Our strategy is built around a commitment to manufacturing high-quality cannabis products for our own brand and other leading brands, as well as our commitment to low-cost cultivation practices that result in consistent biomass.

In the coming quarters, 48North will continue to respond to consumer demand with additional products and brands in the Canadian adult-use market, announce additional contract manufacturing partnerships, and remains committed to the vision of the company: that natural and high-quality products can create thought-provoking experiences that nurture well-being. And that good cannabis can give people the latitude to live well,” continued Charles.

To that end, in addition, the Company announced the appointment of Susan Nickle to the Company’s Board of Directors. Susan is an accomplished and strategic executive, committed to operational and governance excellence. Currently, Susan is the Executive Vice President, Chief People Officer and General Counsel at London Health Sciences Centre. Further, the Company announced the departure of Alan Gertner from 48North’s Board of Directors, effective immediately. The Company thanks Alan for his contribution.

48North has granted an aggregate of 1,119,000 stock options (each an “Option”) to certain directors, officers, and employees of the Company. The Options and RSU's vest through the passage of time or the achievement of specific goals. The specific goals for the Options and RSU's vary based upon the duties and responsibility of the recipient. Each Option is exercisable into one common share (“Share”) of the Company at a price of \$0.255 per Share for a period of three years from the date of grant. Each RSU is exercisable into one Share for a period of up to three years from the date of grant. All of the Options and RSU's have been granted pursuant to the Company's Stock Option Plan and Restricted Share Unit Plan which has been previously approved by the Company’s shareholders and the TSX Venture Exchange.

Selected Financial Information

All amounts are expressed in Canadian dollars

| | 3-months ended March 31, 2020 | 9-months ended March 31, 2020 |
|---------------------------|----------------------------------|----------------------------------|
| Revenue | 2,805,875 | 6,208,656 |
| Net loss | 17,796,148 | 21,587,336 |
| Total assets | 77,935,787 | 77,935,787 |
| Total liabilities | 9,367,328 | 9,367,328 |
| Cash and cash equivalents | 17,821,274 | 17,821,274 |

Third Quarter 2020 Results Conference Call

When: May 26, 2020 at 8:30 AM (ET)

Dial-in number: 1-888-231-8191

The conference ID is 3192859 and you will be prompted to provide your name and company.

About 48North

48North Cannabis Corp. (TSXV: NRTH) is a vertically integrated cannabis company focused on manufacturing high-quality products, building progressive and thought-provoking brands, and low-cost cultivation. 48North is developing formulations and manufacturing capabilities for its own proprietary products, as well as positioning itself to contract manufacture similar products for third parties. 48North operates Good:Farm, a 100-acre organic cannabis farm which produces organically grown cannabis, securing a significant first-mover advantage in the production of low-cost, next-generation, extract-based cannabis products. In addition, 48North operates two indoor-licensed cannabis production sites in Ontario. 48North cultivates unique genetics at its wholly owned subsidiary, DelShen Therapeutics Corp. ("DelShen") and processes cannabis and manufactures next-generation cannabis products at Good & Green Corp. ("Good & Green"), both Licensed Producers under the Cannabis Act.

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