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

FOR THE YEAR ENDED JUNE 30, 2020

48NORTH CANNABIS CORP.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the year ended June 30, 2020

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, 2020 and June 30, 2019 and is dated November 1, 2020. 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, 2020 and June 30, 2019. 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 November 1, 2020.

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.

The global pandemic related to an outbreak of the novel coronavirus disease ("COVID-19") has cast uncertainty on many of the Company's assumptions and estimates. There can be no assurance that such assumptions and estimates continue to be valid. Given the rapid pace of change in the severity of and response to the COVID-19 outbreak, it is premature for the Company make further assumptions or estimates. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on our business is not known at this time. These impacts could include, amongst others, an impact on our ability to obtain debt or equity financing, increased credit risk on receivables, impairment of investments, impairments in the value of our long-lived assets, or potential future decreases in revenue or profitability of our ongoing operations. See "Risk Factors".

Corporate Information
As of June 30, 2020, 48North has two wholly owned subsidiaries, 48North Amalco Ltd. ("Amalco") and Good & Green Cannabis Corp. 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 licenced under the *Cannabis Act*, S.C. 2018, c.16 (together with the regulations made thereunder from time to time, the "Cannabis Act"). DelShen is licenced to produce, process, extract and sell (including cannabis oil products, oil extracts, topicals and edible cannabis products) cannabis pursuant to the Cannabis Act at DelShen's indoor cannabis production facility ("DelShen Facility"), located near Kirkland Lake, Ontario. G&G is licenced 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. On January 17, 2020, Health Canada licenced our extraction space within the Brantford facility. On August 28, 2019, the Company acquired all of the issued and outstanding shares of Rare Industries, Inc. ("Rare"). On May 22, 2020, the Company sold all of the issued and outstanding shares of Rare. On October 9, 2019, the Company acquired all of the issued and outstanding shares of Sackville &

Co. Merchandising Ltd. ("Sackville"). On May 11, 2020, the Company sold all of the issued and outstanding shares of Sackville. The head office, principal address, and records office are located at 257 Adelaide Street West, Suite 500, Toronto, Ontario, Canada, M5H 1X9. 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 affect the Good & Green transaction. On November 30, 2018, 2667087 Ontario Inc. acquired 100% of 2599708 Ontario Inc. through an amalgamation and changed its name to Good & Green Cannabis Corp. G&GCC owns 100% of the issued and outstanding shares of 2599760 Ontario Corp. d/b/a Good & Green, 2618351 Ontario Inc., and 2656751 Ontario Ltd. On July 3, 2019 2599760 Ontario Corp. changed its name to Good & Green Corp. 2618351 Ontario Inc. is a holding company for the indoor Brantford facility and 2656751 Ontario Ltd. is a holding company for a 100-acre farm near Brantford.

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 under the Cannabis Act. 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 at the option of Friendly Stranger on maturity 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. During 2020, the Company has revalued the investment to $800,438 and taken a corresponding charge to the statement of loss.

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. On May 22, 2020, the Company entered into a separation agreement ("Separation") whereby it sold all of the issued and outstanding shares of Rare back to its founders for US$1.00. The Company issued 2,900,000 common shares as part of the original purchase agreement to the Rare founders. As part of the Separation, the Company sold Rare 'as is, where is' and agreed to certain working capital amounts at closing. Furthermore, the Company accepted the resignations of the Rare founders from 48North. The Separation also contained standard mutual releases. The Company has disclosed the Rare operations as discontinued operations for the fiscal 2020 year.

On October 9, 2019, the Company acquired 100% of Sackville & Co. Merchandising Ltd. ("Sackville"), a U.S.-based cannabis brand focused on design-forward cannabis accessories. Sackville had one wholly owned subsidiary, Parlor (US) Ltd. On May 11, 2020, the Company entered into a minutes of settlement agreement ("Settlement") whereby it sold all of the issued and outstanding shares of Sackville back to its founders for US$1.00 through a share purchase agreement. As part of the Settlement, the Company sold Sackville 'as is, where is' and agreed to certain working capital amounts at closing and 4,756,624 48North common shares held in escrow were returned to the Company for cancellation. Furthermore, the Company accepted the resignations of the Sackville founders from 48North. The Settlement also contained standard mutual releases. The Company has disclosed the Sackville operations as discontinued operations for the fiscal 2020 year.

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 licenced under the *Cannabis Act*. DelShen is licenced to produce, sell and extract cannabis pursuant to the Cannabis Act at the DelShen Facility, located near Kirkland Lake, Ontario. G&G is licenced to produce and extract cannabis pursuant to the *Cannabis Act* at the G&G Facility, located in Brantford, Ontario and is licenced 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 licence and subsequently extended the expiry of the licence 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 licence 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 licence. On October 17, 2018, the Cannabis Act and the new Industrial Hemp Regulations (Canada) came into effect and now govern the licensing process. On October 16, 2019, DelShen received its processing licence amendment and on October 16, 2019, DelShen received an amendment to authorize the sale of cannabis oil products. On October 23, 2019, the conditions on DelShen's licence were amended to permit the sales of cannabis extracts, topicals and edible cannabis products.

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 TSXV 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 licence 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 licence.

In October 2018, G&G applied for an outdoor grow cultivation licence with Health Canada for 100 acres of farm land near the Brantford facility. On May 17, 2019, Health Canada granted the Good Farm a cultivation licence 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. On January 17, 2020, Health Canada licenced the extraction space within the Brantford 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 licenced producers. In November 2018, 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.

In October 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. On March 5, 2020, the Company shipped its first order to the OCS for retail sale.

In January 2020, the Company entered into a supply and services agreement with a subsidiary of Humble + Fume Inc., whereby the parties agreed to collaborate regarding the extraction of cannabis distillate, including the manufacturing and ultimately the sale of cannabis distillate products. Under the agreement the Company provides cannabis biomass and is responsible for selling of the products. The Company and Humble + Fume Inc. have joint control over the arrangement as all major decisions of the relevant activities require consent of both parties. The Company has assessed the nature of this joint arrangement and determined it to be a joint operation.

In March 2019, the Company signed a license agreement with U.S.-based Arbor Pacific, Inc. ("Avitas") to bring its Avitas brand vape product to Canadian consumers, including Avitas' technology and intellectual property for domestic consumption in Canada. On March 26, 2020, the Company shipped its first order to the OCS for retail sale.

In May 2020, the Company signed a supply agreement with Medical Cannabis by Shoppers Drug Mart Inc. ("Shoppers") to supply cannabis and cannabis products through Shoppers online sales platform. As a result, 48North-branded products and licensed brands will now be available to Shoppers medical patients across Canada.

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 U.S. or in any other jurisdiction where the sale of cannabis is federally unlawful (see "Risk Factors"). The Company believes that its acquisition of Rare and Sackville, with its operations in the U.S., was 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 licenced 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 selling ancillary product offering, such as vapes, topicals, and health and wellness products that are able to be sold into the Canadian market.

Results of Operations

During the fiscal year ended June 30, 2020 the Company generated revenues from continuing operations of $10,471,728 (2019 - $4,832,150) through sales to provincial regulators and with other licenced producers. With the changes in legislation in October 2019 to allow for the sale of other cannabis forms, the Company has started to create, package and sell additional cannabis products starting in calendar 2020. During Q3 2020, the Company initiated sales of the Avitas and Apothecanna branded products to provincial distributors. During Q4 2020, the

Company initiated sales to Shoppers. As such, inventories have increased as the Company believes that it will need additional cannabis to meet these timelines.

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 year ended June 30, 2020, inventory expensed to cost of sales, before fair value adjustments was $9,383,339 (2019 – $1,441,458). Inventory impairment costs were $2,957,631 (2019 - $nil). Unrealized fair value adjustment on growth of biological assets were ($585,317) (2019 - $6,210,328) for the year ending June 30, 2020. This adjustment represents the (decrease) increase in value of plants during the period. Realized fair market adjustment on inventory sold was ($3,558,381) (2019 – ($2,162,782)) for the year ending June 30, 2020. This adjustment represents the recorded cost of the inventory sold during the period.

At the end of the second quarter of fiscal 2020, the Company started to purchase cannabis from other licenced producers. It is expected that with additional manufacturing capacity coming online at the G&G Facility, the Company will be able to increase its provincial sales over the coming quarters.

General and administrative expenses were $12,235,448 for the year ended June 30, 2020 compared to $6,827,098 for the similar period in 2019. Overall Company salaries and benefit expenses for the year ended June 30, 2020 increased to $10,568,218 from $4,248,700 incurred in the year ended June 30, 2019, which reflects additional staffing required to facilitate significant production increases along with additions to the corporate team. Furthermore, with the addition of extraction capabilities in Q3 fiscal 2020 and increased operations at the Good House during Q3 and Q4 of fiscal 2020, staffing and costs have increased in line with increased operations.

The Company utilized incentive stock options and restricted share units ("RSUs") to attract and maintain key personnel, with share-based compensation expense of $1,587,212 for the year ended June 30, 2020 down from $5,758,890 for the year ended June 30, 2019. 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 and amortization for the year ended June 30, 2020 was $1,360,116 compared to $1,149,812 for the year ended June 30, 2019. With the acquisition of G&GCC in November 2018, the Company completed a valuation for its licence and will be depreciating the asset over a 25-year period. During the fiscal 2020 year, the Company made investments in the Good Farm, increasing security measures, adding a barn to provide additional drying space and adding hoop house capacity. This will help advance the Company's ability to continue to cultivate outdoors and dry the outdoor grow. During the second and third quarter of fiscal 2020, investments in property, plant and equipment were largely focused on the Good House facility, with the conversion of some of the licensed space for extraction purposes and building out of space previously used for warehousing into manufacturing space. The Company believes that by making these investments in the facility that it will be able to provide additional secure storage and process more cannabis into extraction products and package additional cannabis into pre-roll and baggable products.

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. On May 22, 2020, the Company entered into a separation agreement ("Separation") whereby it sold all of the issued and outstanding shares of Rare back to its founders for US$1.00. The Company issued 2,900,000 common shares as part of the original purchase agreement to the Rare founders. As part of the Separation, the Company sold Rare 'as is, where is' and agreed to certain working capital amounts at closing. Furthermore, the Company accepted the resignations of the Rare founders from 48North. The Separation also contained standard mutual releases. The Company has disclosed the Rare operations as discontinued operations for fiscal 2020.

On October 9, 2019, the Company acquired 100% of Sackville & Co. Merchandising Ltd. ("Sackville"), a U.S.-based cannabis brand focused on design-forward cannabis accessories. Sackville had one wholly owned subsidiary, Parlor (US) Ltd. On May 11, 2020, the Company entered into a settlement agreement ("Settlement") whereby it sold all of the issued and outstanding shares of Sackville back to its founders for US$1.00 through a share purchase agreement. As part of the Settlement, the Company sold Sackville 'as is, where is' and agreed to certain working capital amounts at closing and 4,756,624 common shares of the Company that were held in escrow have been returned to the Company for cancellation. Furthermore, the Company accepted the resignations of the Sackville founders from 48North. The Settlement also contained standard mutual releases. The Company has disclosed the Sackville operations as discontinued operations for fiscal 2020.

With the disposal of Rare and Sackville, the Company reported a loss on disposal of subsidiaries of $4,654,311 (2019 – nil). Furthermore, the Company has included the Rare and Sackville operations as a loss from discontinued operations of $1,313,051 (2019 - $nil).

During Q4 2020, the Company revalued its investment in the Friendly Stranger and recognized a loss of $449,562 relating to this investment.

For the year ended June 30, 2020, management has determined that there were indicators of impairment on the licence and goodwill that arose from the Good & Green Cannabis Corp. acquisition. As a result the Company recorded an impairment of license of $2,425,891 (2019 – $nil) and an impairment of goodwill of $3,137,589 (2019 – $nil) relating to acquisition.

At June 30, 2020, the Company had an accumulated deficit of $74,625,813.

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 2020, 2019 and 2018 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, 2020 ($)	**Year Ended June 30, 2019 ($)**	**Year Ended June 30, 2018 ($)**
Revenue	10,471,728	4,832,150	Nil
Net loss	40,273,758	8,127,074	12,420,331
Loss per share	0.231	0.072	0.21
Total assets	57,774,849	91,022,902	25,862,870
Working capital	18,716,858	56,718,193	11,995,428
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, 2020 as compared to the year ended June 30, 2019:

	2020	**2019**
Net cash provided by (used in):		
Operating activities	(30,367,470)	(5,329,845)
Investing activities	(13,271,802)	(6,023,881)
Financing activities	145,389	51,887,739
Increase (decrease) in cash	(43,493,883)	40,534,082

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, 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
December 31, 2019	1,808,027	(6,095,599)	(0.035)
March 31, 2020	2,805,875	(18,724,696)	(0.102)
June 30, 2020	4,263,147	(17,654,817)	(0..107)

Construction of the Facilities
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 June 30, 2019 had $1,536,898 of construction in process. At June 30, 2020, the Company had $2,005,772 in construction in process and was largely made up of Good House manufacturing equipment (approximately $1,000,000), Good Farm hydro upgrades (approximately $128,000) and a fluid bed dryer (approximately $800,000).

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 June 5, 2020, 8,667,959 warrants expired unexercised.

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. The warrants expired unexercised on November 30, 2019.

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. The warrants expired unexercised on February 5, 2020.

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, 2020, the Company had a cash and cash equivalents balance of $9,271,683 (2019 - $52,765,566). The Company incurred a net loss of $40,273,758 (2019 - $8,127,074) and negative cash flows from operations of $30,367,470 (2019 – $5,329,845) during the year ended June 30, 2020 and, as of that date, the Company had a deficit in the amount of $74,625,813 (2019 - $34,352,055).

During the year ended June 30, 2020, the Company had a net usage in cash and cash equivalents of $43,493,883 (2019 – net addition of $40,534,082). Cash used in operating activities was $30,367,470 (2019 - $5,329,485). Cash used in investing activities was $12,733,625 (2019 $6,023,881), largely related to acquisition of plant, property and equipment and the investment in the Friendly Stranger.

The Company anticipates it will 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 licenced producers, sell into the medical and recreational markets, provide products and brands 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, 2020	June 30, 2019
Consulting, salaries and wages	$2,934,317	$1,646,325
Share-based payment	1,098,311	3,598,853
Total	$4,032,628	$5,245,178

Included in consulting, salaries and wages is $1,332,708 relating to the severance agreements with former key management individuals (2019 - $109,279). Consulting, salaries, and wages of $661,032 is included in sales and marketing and $2,273,285 is included in general and administrative. Included in accounts payable and accrued liabilities is $109,203 (2019 - $59,291) due to key management.

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 years ended June 30, 2020 and 2019. 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	176,030,500
Warrants	10,569,780
Broker compensation units (underlying shares)	1,793,124
Options and restricted share units	9,966,727
Total outstanding	198,360,131

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. As a practical expedient, the Company elected to separate non-lease components from lease components, and account for each lease component and any associated non-lease component separately. 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.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after annual reporting periods beginning January 1, 2020 and apply prospectively.

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent 48North from achieving its goals. The risk described below are not the only ones 48North will face. If any of these risks actually occurs, 48North's business, financial condition or results of operations may be materially and adversely affected. In that case, the trading price of 48North's securities could decline and investors in such securities could lose all or part of their investment.

General Business Risk and Liability
Given the nature of 48North's business, it may from time to time be subject to claims or complaints from investors or others in the ordinary course of business. The legal risks facing the company, its directors, officers, employees or agents in this respect include potential liability for violations of securities law, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of 48North's right to carry on its existing business. 48North may incur significant costs in connection with such potential liabilities.

COVID-19

The global pandemic related to an outbreak of COVID-19 has cast uncertainty on many of the Company's assumptions and estimates. There can be no assurance that such assumptions and estimates continue to be valid. Given the rapid pace of change in the severity of and response to the COVID-19 outbreak, it is premature for the Company make further assumptions or estimates. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on our business is not known at this time. These impacts could include, amongst others, an impact on our ability to obtain debt or equity financing, increased credit risk on receivables, impairment of investments, impairments in the value of our long-lived assets, or potential future decreases in revenue or profitability of our ongoing operations.

The Company's business is dependant on a number of factors which could be adversely disrupted by, among others, major health issues or pandemics. In particular, major health issues and pandemics, such as the global impact of COVID-19. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 outbreak on our business. These factors are beyond our control, may adversely affect us and our suppliers or cause disruptions to their and our businesses and may impact their ability to supply us.

To that end, the Company has taken a number of precautions with the intention of mitigating COVID-19 risk at its facilities and corporate office. On March 12, 2020, the Company required that all non-essential production employees work from home, where their duties with the Company allowed. This measure helps minimize the number of potential COVID-19 exposures on a daily basis. At the facilities, the Company has staggered start times, implemented a dual-shift program, prohibited social gatherings (i.e. lunch), and implemented increased sanitation programmes. Further, the Company instituted mandatory health checks, which included thermometer checks daily, prior to the commencement of work. If any employee exhibited any symptoms, had encountered someone with symptoms in their private life, or had travelled, they were sent home for a mandatory two-week self-isolation quarantine. These health checks and standards were also implemented for any outside contractor needing to enter the facility. While at work, physical distancing measures were enacted, personal protective equipment ("PPE") (such as mask, gloves, hair nets, booties and Tyvek suits) was made mandatory both inside the production area and outside in office spaces, and a third-party disaster relief cleaners were hired to institute a deep-clean on a weekly basis. As of the date hereof, the above measures remain in place and to the knowledge of the Company, no employee has tested positive for COVID-19. The Company will continually review the above measures in conjunction with the measures deemed appropriate by Ontario Public Health.

Business and Supply Chain Disruption: While it may be too early to fully understand the severity of COVID-19 and its long-term implications, there have been a number of challenges that the Company is facing. At our production facilities, staff are required to wear PPE. Ensuring that we have adequate supplies of PPE at reasonable prices has presented challenges as supply has been curtailed. During Q3 2020 the Company started its extraction operations, which relies on third party suppliers. To date, there have not been any disruptions, however, there could be a time when those third-party suppliers have reduced access or may be unable to work at the Good House facility.

Nature and Impact of Government Measures: The federal government has announced a number of measures to support workers and businesses, however, to date we have not been eligible for additional support. That said, the Company continues to investigate and monitor the activities of the federal and provincial governments and will apply for support wherever possible.

Borrowing and Lending Issues: Currently, the Company does not have imminent debt obligations (other than normal trade payables and accruals).

Sales: Since the start of the COVID-19 pandemic, sales have continued to grow and demand for product has increased. Initially, the production and sale of cannabis was deemed an essential service by the provincial governments of Ontario, Alberta, and Quebec and thus were permitted to stay open and continue operations. Approximately two weeks into the pandemic, the Government of Ontario delisted the store-front retail sale of cannabis as an essential service which resulted in the temporary closure of brick and mortar retailers in the province of Ontario. However, within one-week this order was revised, and retail locations were able to re-open, under the condition that the retail location could provide click-and-collect or delivery services. While there was a temporary lag in retailers re-opening, as a result of retail locations having inadequate technology to provide "click and collect" or "delivery", that lag has since been corrected.

Commodity Prices: As a cannabis company, the prices of cannabis flower and derivative products have seen an oversupply, leading to reduced expectations on commodity prices. During the current quarter, the Company reviewed it estimated fair market value of its inventory and determined that the average selling price per gram of its outdoor cannabis should be reduced from $1.00 per gram to $0.50 per gram.

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

Volatile Market Price for Common Shares
The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond 48North's control, including the following:

- actual or anticipated fluctuations in 48North'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 48North operates;
- addition or departure of 48North'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 48North's industry generally and its business and operations;
- announcements of developments and other material events by 48North 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 48North or its competitors;
- operating and share price performance of other companies that investors deem comparable to 48North 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 48North'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 and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of cannabis-producing and cannabis-related companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if 48North'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 lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, 48North's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

Reliance on the Facilities
48North's operations and the conditions of the facilities are, and will be, subject to hazards inherent in the cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the facilities. Any adverse change or event affecting the facilities may have a material and adverse effect on 48North's business, results of operations and financial condition.

Expansion of Facilities

Any expansions of the facilities are 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, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. 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 any expansion of operations at existing facilities, which in turn may affect 48North's business, prospects, financial condition and results of operations.

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 and recreational cannabis business in 2018. 48North is therefore subject to many of the risks common to entering a new area of investment, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and a lack of revenue. There is no assurance that 48North will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

History of Net Losses

48North has incurred operating losses in recent periods. 48North may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, 48North expects to continue to increase its operating expenses as it implements initiatives to continue to grow its business. If 48North's revenues do not increase to offset its expected increases in costs and operating expenses, 48North will not be profitable.

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.

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 licensee under the Cannabis Act.

Management of Growth
48North may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of 48North to manage growth effectively will require continued implementation and improvement of their operational and financial systems and to expand, train and manage its employee base. The inability of 48North to deal with growth may have a material adverse effect on business, financial conditions, 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.

Acquisition Strategy Risks
The Company has made and may continue to pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the management of the pre-acquisition business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships. There is no assurance that the Company will be able to successfully integrate an acquired business in order to maximize or realize the benefits associated with an acquisition.

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.

Disclosure Controls and Internal Controls over Financial Reporting
In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed by management, under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

As of June 30, 2020, the Company had limited accounting personnel with expertise to assist in the effective preparation of financial statements and related note disclosures. The Company's corporate controller resigned subsequent to year end. The Company took steps to fill the position, however, the replacement controller developed health issues and was unable to continue. In particular, the Company does not currently have sufficient resources with appropriate knowledge of IFRS to allow for an independent review in complex areas of financial reporting with respect to non-routine transactions. Management will be looking to increase its accounting staff, engaging experts as needed and implement new mitigating controls and procedures.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believes that any DC&P or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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.

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

On February 8, 2018, the Canadian Securities Administrators revised their previously released CSA Staff 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.

The Company was indirectly involved in ancillary activities related to the cannabis industry in jurisdictions in the United States by virtue of the acquisition of Rare (which was divested on May 27, 2020), 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 *de minimis* involvement with participants in the U.S. cannabis industry may later fall into the CSA 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.

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.

Dividends
48North has not paid dividends in the past and does not anticipate paying dividends in the near future. 48North expects to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in 48North's businesses. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of 48North and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of 48North may deem relevant. As a result, investors may not receive any return on investment in Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities
There can be no assurance that an active and liquid market for Common Shares will be maintained and an investor may find it difficult to resell any securities of 48North.

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.

Litigation
48North may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause 48North to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and 48North could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

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.

Risks Relating to the Medical and Recreational Cannabis Industries
Regulatory Risks
48North operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur 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.

48North's ability to grow, store and sell cannabis in Canada is dependent on its licences from Health Canada and maintaining such licences in good standing. Failure to comply with the requirements of the licences and maintaining this licences would have a material adverse impact on the business, financial condition and operating results of 48North.

48North 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 in restrictions of the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to 48North'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 48North.

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

48North's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce 48North's earnings and could make future capital investments or 48North'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.

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, 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.

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 medical and recreational marijuana, 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 under 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 the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way it may have a material adverse effect on the Company's business, financial condition and results of operations.

With the Cannabis Act now in effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational adult-use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, 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. On September 27, 2018, the government of Ontario tabled Bill 36, An Act to enact a new Act and make amendments to various other Acts respecting the use and sale of cannabis and vapour products in Ontario ("**Bill-36**"), which received Royal Assent on October 17, 2018. Bill-36 amended the *Cannabis Act, 2017* and enacted the *Ontario Cannabis Act*, which creates a licensing regime for privately-owned retail cannabis outlets administered by the Alcohol and Gaming Commission of Ontario.

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.

Restrictions on Sales and Marketing

The medical and recreational cannabis industries are in their early development stages and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect 48North's ability to conduct sales and marketing activities and could have a material adverse effect on 48North's businesses, operating results and financial conditions.

TSXV Restrictions on Business
As a condition to listing on the TSXV, the TSXV required that the Company deliver an undertaking ("**Undertaking**") to only conduct cannabis or cannabis-related activities in Canada pursuant to one or more licenses issued by Health Canada, unless prior approval is obtained from the TSXV. The Undertaking could have an adverse effect on the Company's ability to do business or operate outside of Canada, and the Company's competitors may not be subject to the same restrictions. These restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Competition
The markets for the medical and recreational cannabis products appear to be sizable and Health Canada has only issued a limited number of licences under the former ACMPR regime and the new Cannabis Act regime to produce and sell medical and recreational cannabis. There are several hundred existing applicants for licences in queue. The number of licences issued could have an impact on the operations of 48North. Because of the early stage of the industry in which 48North operates, 48North expects to face additional competition from new entrants. The Company also faces competition from illegal cannabis dispensaries, who do not have a valid license, that are selling to individuals. If the number of users of medical and recreational cannabis in Canada increases, the demand for products will increase and 48North expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. 48North expects significant competition from other companies applying for production licences that may have significantly greater financial, technical, marketing and other resources, which may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

To remain competitive, 48North will require a continued level of investment in research and development, marketing, sales and client support. 48North 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 48North. If 48North and its subsidiaries are not successful in investing sufficient resources in these areas, their ability to compete in the market may be adversely affected, which in turn could materially and adversely affect 48North's business, financial conditions and results of operation.

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 48North.

Risks Inherent in an Agriculture Business
48North's business involves the growing of cannabis, which is an agricultural product. 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 a portion 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.

Weather and Other Conditions
48North has received a licence from Health Canada to grow cannabis outdoors at the G&G Farm. 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 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 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.

Vulnerability to Rising Energy Costs
48North's cannabis operations consume considerable energy, making 48North vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of 48North 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.

Product Liability
As a manufacturer and distributor of products designed to be ingested or inhaled by consumers, 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.

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.

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 and/or on-going continuation 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.

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 the Company's 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. 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 the Company 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 the Company's products and receive more favorable publicity than the Company's 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 the Company's 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.

Results from Future Clinical Research

Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as 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.

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.

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.

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, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency, 48North would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. 48North's inability to manage such risks may adversely affect 48North's operations and financial performance.

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.

Difficulty to Forecast & Reliability of Data

48North must 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 industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of 48North.

In addition, as a result of recent and ongoing regulatory and policy changes in the medical and recreational cannabis industry, the market data available may be limited and unreliable. The research data collected by the Company will be an integral part of its business for the production of research-based reports. Market research and projections by 48North of estimated total retail sales, demographics, demand, and similar consumer research, may be based on assumptions from limited and unreliable market data. If there are issues with the data's integrity or security, the data and research-based reports could be considered ineffective or unreliable.

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.

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.

Additional Information

This MD&A was prepared as of October 30, 2020. 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).