48NORTH CANNABIS CORP.

Condensed Interim Consolidated Financial Statements
(Unaudited)
As at September 30, 2020

Condensed Interim Consolidated Financial Statements (Unaudited)	**Page**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of 48North Cannabis Corp. (“Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management’s best estimates and judgment based on information currently available. The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

48NORTH CANNABIS CORP.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

As at		September 30, 2020		June 30, 2020
Assets				
Current assets				
Cash and cash equivalents	$	2,213	$	9,272
Trade and other receivables (Note 6)		5,587		3,362
Prepaid expenses		3,893		1,455
Biological assets (Note 5)		2,341		1,700
Inventory (Note 5)		9,974		9,252
		24,008		25,041
Non-current assets				
Long-term deposits		40		40
Long-term investments (Note 7)		800		800
Property, plant and equipment, net (Note 8)		29,001		28,433
Right of use assets (Note 9)		694		734
Licence (Note 10)		2,473		2,500
Intangibles (Note 10)		197		227
		33,205		32,734
Total assets	$	57,213	$	57,775
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 15)	$	8,557	$	6,193
Current portion of lease liabilities (Note 9)		136		131
		8,693		6,324
Non-current liabilities				
Lease liabilities (Note 9)		656		692
Deferred income tax liability		99		99
		755		791
Total liabilities		9,448		7,115
Shareholders' equity				
Share capital (Note 11)		111,464		111,464
Share-based payments reserve (Note 11)		4,234		4,039
Warrants reserve (Note 11)		3,843		3,843
Contributed surplus		6,028		5,940
Deficit		(77,804)		(74,626)
Total shareholders' equity		47,765		50,660
Total liabilities and shareholders' equity	$	57,213	$	57,775

Continuance of operations and going concern (Note 2)
Subsequent events (Note 18)
See accompanying notes to unaudited condensed interim consolidated financial statements.

On behalf of the Board:

/s/ Martin Cauchon */s/ William Assini*
Martin Cauchon, Chairman William Assini, Director

48NORTH CANNABIS CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

For the:		Three months ended September 30, 2020		Three months ended September 30, 2019
Revenue (Note 13, 14)	**$**	**7,658**	$	1,587
Excise taxes		**(1,384)**		(144)
Total net revenue		**6,274**		1,443
Costs of sales				
Inventory expensed to cost of sales, before fair value adjustments (Note 14)		**7,838**		666
Inventory impairment costs (Note 5)		**-**		49
Gross profit (loss) before fair value adjustments		**(1,564)**		728
Unrealized fair value adjustment on growth of biological assets (Note 5)		**152**		9,640
Realized fair value adjustment on inventory sold (Note 5)		**393**		(947)
Gross profit (loss)		**(1,019)**		9,421
Administrative expenses				
General and administrative (Note 14, 15)		**1,419**		3,138
Sales and marketing (Note 14, 15)		**212**		1,885
Share-based payments (Note 14, 15)		**283**		807
Depreciation and amortization (Note 5, 8, 9, 10)		**245**		340
Gain on change in fair value of contingent consideration		**-**		(534)
Total expenses		**2,159**		5,636
Income (loss) from continuing operations before income taxes and discontinued operations		**(3,178)**		3,785
Income tax provision - deferred		**-**		1,470
Income (loss) from continuing operations	**$**	**(3,178)**	$	2,315
Loss from discontinued operations (Note 14)		**-**		(114)
Net income (loss) and comprehensive income (loss)	**$**	**(3,178)**	$	2,201
Basic earnings (loss) per share, continuing operations	**$**	**(0.018)**	$	0.014
Diluted earnings (loss) per share, continuing operations		**(0.018)**		0.013
Basic loss per share, discontinued operations		**-**		(0.001)
Diluted loss per share, discontinued operations		**-**		(0.001)
Basic earnings (loss) per share		**(0.018)**		0.013
Diluted earnings (loss) per share		**(0.018)**		0.013
Weighted average number of shares outstanding (000's) - Basic		**176,031**		169,207
Weighted average number of shares outstanding (000's) - Diluted		**176,031**		173,221

See accompanying notes to unaudited condensed interim consolidated financial statements.

48NORTH CANNABIS CORP.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

For the:	Three months ended September 30, 2020	Three months ended September 30, 2019
Operating activities		
Net income (loss) for the period	**$ (3,178)**	$ 2,201
Add (deduct) items not involving cash		
Unrealized fair value adjustment on growth of biological assets (Note 5)	**(152)**	(9,640)
Realized fair value adjustment on inventory sold (Note 5)	**(393)**	947
Change in fair value of contingent consideration	**-**	(534)
Depreciation included in inventory expensed to cost of sales	**452**	108
Depreciation and amortization (Note 5, 8, 9, 10)	**245**	340
Share-based payments (Note 14, 15)	**283**	807
Income tax provision - deferred	**-**	1,470
Foreign exchange	**-**	38
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	**(2,225)**	(1,465)
Decrease (increase) in prepaid expenses	**(2,438)**	(183)
Decrease (increase) in biological assets	**865**	(928)
Decrease (increase) in inventory surplus	**(1,536)**	(696)
Increase in accounts payable and accrued liabilities	**2,364**	(522)
Cash used in operating activities	**$ (5,713)**	$ (8,057)
Investing activities		
Acquisition of property, plant and equipment (Note 8)	**$ (1,315)**	$ (2,385)
Net cash paid in acquisition of Rare Industries, Inc.	**-**	(878)
Acquisition of investment	**-**	(1,250)
Long-term deposits	**-**	(38)
Cash used in investing activities	**$ (1,315)**	$ (4,551)
Financing activities		
Proceeds from the exercise of stock options and warrants (Note 11)	**-**	238
Payments towards principal portion of lease liability	**(31)**	(4)
Cash used in financing activities	**$ (31)**	$ 234
Decrease in cash and cash equivalents	**$ (7,059)**	$ (12,374)
Cash position, beginning of period	**$ 9,272**	$ 52,766
Cash and cash equivalents, end of period (Note 4)	**$ 2,213**	$ 40,392

The accompanying notes are an integral part of these interim condensed consolidated financial statements

48NORTH CANNABIS CORP.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

	Number of shares		Share capital		Warrant reserve		Share-based payment reserve		Contributed surplus		Deficit		Total shareholders' equity
Balance June 30, 2019	**168,036,965**	**$**	**106,947**	**$**	**4,927**	**$**	**7,838**	**$**	**441**	**$**	**(34,352)**	**$**	**85,801**
Issuance on exercise of stock options	**502,000**		**390**		**-**		**(152)**		**-**		**-**		**238**
Issued on vesting of RSUs	**1,283,333**		**820**		**-**		**(820)**		**-**		**-**		**-**
Expiry of warrants	**-**		**-**		**(1,084)**		**-**		**1,084**		**-**		**-**
Expiry of options	**-**		**-**		**-**		**(4,199)**		**4,199**		**-**		**-**
Expiry of RSUs	**-**		**-**		**-**		**(216)**		**216**		**-**		**-**
Common shares issued on acquisition	**2,247,834**		**1,858**		**-**		**-**		**-**		**-**		**1,858**
Common shares issued for contingent consideration	**2,900,000**		**855**		**-**		**-**		**-**		**-**		**855**
Common shares issued on acquisition	**1,060,368**		**594**		**-**		**-**		**-**		**-**		**594**
Share-based payments	**-**		**-**		**-**		**1,588**		**-**		**-**		**1,588**
Net loss for the year	**-**		**-**		**-**		**-**		**-**		**(40,274)**		**(40,274)**
Balance June 30, 2020	**176,030,500**	**$**	**111,464**	**$**	**3,843**	**$**	**4,039**	**$**	**5,940**	**$**	**(74,626)**	**$**	**50,660**

	Number of shares		Share capital		Warrant reserve		Share-based payment reserve		Contributed surplus		Deficit		Total shareholders' equity
Balance June 30, 2020	**176,030,500**	**$**	**111,464**	**$**	**3,843**	**$**	**4,039**	**$**	**5,940**	**$**	**(74,626)**	**$**	**50,660**
Expiry of options	**-**		**-**		**-**		**(82)**		**82**		**-**		**-**
Expiry of RSUs	**-**		**-**		**-**		**(6)**		**6**		**-**		**-**
Share-based payments	**-**		**-**		**-**		**283**		**-**		**-**		**283**
Net loss for the year	**-**		**-**		**-**		**-**		**-**		**(3,178)**		**(3,178)**
Balance September 30, 2020	**176,030,500**	**$**	**111,464**	**$**	**3,843**	**$**	**4,234**	**$**	**6,028**	**$**	**(77,804)**	**$**	**47,765**

The accompanying notes are an integral part of these interim condensed consolidated financial statements

1. Corporate information

48North Cannabis Corp. ("Company" or "48North") is a publicly traded corporation listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "NRTH". Some of the Company's warrants are listed on the TSXV under the trading symbol "NRTH.WT". The Company was incorporated in Alberta, Canada. The head office, principal address, and records office is located at 257 Adelaide Street West, Suite 500, Toronto, Ontario, Canada, M5H 1X9.

48North is a vertically integrated cannabis company. The Company primarily operates its cannabis business through two, indirect, wholly-owned subsidiaries, DelShen Therapeutics Corp. ("DelShen") and Good & Green Corp. ("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.

2. Continuance of operations and going concern

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

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 financed its working capital requirements primarily through equity and debt financings. The Company reported a comprehensive loss of $3,178 and negative cash flows from operations of $5,713 during the quarter ended September 30, 2020. As of September 30, 2020, the Company had a deficit in the amount of $77,804. The Company's ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate revenues there from and raise additional financing as needed to meet its obligations. 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. The Company continually monitors its capital resources to assess the liquidity necessary to fund operations and future strategy. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

3. Basis of presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the period ended September 30, 2020.

Functional currencies

The unaudited condensed interim consolidated financial statements are presented in Canadian dollars. The Company and its Canadian subsidiaries' functional currency, as determined by management, is the Canadian dollar.

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

Accounting policies

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's 2020 annual consolidated financial statements. These unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the annual consolidated financial statements. See note 4 for new accounting policies implemented after June 30, 2020.

Subsidiaries

The unaudited condensed interim consolidated financial statements include the following subsidiaries:

Name of Subsidiary	% Ownership	Principal Activity	Incorporated
48North Amalco Ltd. ("Amalco")	100% by Company	Holding company	Ontario
DelShen Therapeutics Corp. ("DelShen")	100% by Amalco	Licensed producer	Ontario
Good & Green Cannabis Corp. ("G&GCC")	100% by Company	Holding company	Ontario
Good & Green Corp. ("G&G")	100% by G&GCC	Licensed producer	Ontario
2618351 Ontario Inc.	100% by G&GCC	Holding company	Ontario
2656751 Ontario Ltd.	100% by G&GCC	Holding company	Ontario

In addition, the Company's participation in a joint arrangement classified as a joint operation, is accounted for in the unaudited condensed interim consolidated financial statements by reflecting the Company's share of the assets, liabilities, revenues and expenses arising from the joint operations.

The Company's Board of Directors approved these unaudited condensed interim consolidated financial statements on November 30, 2020.

4. Significant accounting policies, judgements, estimates and assumptions

a) **New accounting pronouncements**

Amendments to IFRS 3, Business Combinations ("IFRS 3") – Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. Effective January 1, 2020, the Company adopted the amendments to IFRS 3, with no material impact on its condensed interim consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1"); and IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8") – Definition of Material

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Effective January 1, 2020, the Company adopted the amendments to IAS 1 and IAS 8, with no material impact on its condensed interim consolidated financial statements

Amendments to IAS 1 – Presentation of financial statements: classifications of liabilities as current or non-current

In January 2020, the IASB issued amendments to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted. The amendments are to be applied retrospectively. The Company does not intend to early adopt these amendments and is currently assessing the impact of these amendments on its consolidated financial statements.

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

5. Biological assets and inventories

a) Biological assets

The changes in the carrying value of biological assets for the three months ended September 30, 2020 are as follows:

	Cannabis plants
Balance at June 30, 2020	$1,700
Net change in fair value less costs to sell due to biological transformation	152
Production costs capitalized to biological assets	1,817
Transferred to inventory upon harvest	(1,328)
Balance at September 30, 2020	**$2,341**

Fair Value Measurement Disclosure

The fair value of biological assets are categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of biological assets include:

(a) Selling price per gram;	Level 3 input
(b) Average yield per plant;	Level 3 input
(c) Standard cost per gram to compete production	Level 3 input
(d) Cumulative stage of completion in production process	Level 3 input

Sensitivity Analysis

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

Significant inputs & assumptions for Outdoor Production	Weighted Average Inputs	Sensitivity	Effect on Biological Asset Balance
Selling price per gram	$0.33 dollar	Increase/decrease $0.10 dollar /gram	Increase/decrease $244
Average yield per plant	121 grams	Increase/decrease 10%	Increase/decrease $173
Post-harvest cost per gram	$0.03 dollar	Increase/decrease $0.50 dollar /gram	Decrease/increase $1,195
Cumulative stage of completion	81%	Increase/decrease by 1 percentage point	Increase/decrease $26

Significant inputs & assumptions for Indoor Production	Weighted Average Inputs	Sensitivity	Effect on Biological Asset Balance
Selling price per gram	$5.59 dollar	Increase/decrease $1.00 dollar/gram	Increase/decrease $148
Average yield per plant	110 grams	Increase/decrease 10%	Increase/decrease $61
Post-harvest cost per gram	$0.58 dollar	Increase/decrease $0.50 dollar/gram	Decrease/increase $125
Cumulative stage of completion	44%	Increase/decrease by 5 percentage point	Increase/decrease $23

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

b) Inventories

The Company's inventory assets include the following as of September 30, 2020 and June 30, 2020.

As of September 30, 2020	Capitalized costs	Fair Value Transferred from Biological Assets	Impairment	Carrying Value
	$	$	$	$
Dried Cannabis				
Work-in-process	1,377	619	(20)	1,976
Finished goods	1,119	(30)	—	1,089
Cannabis derivative products				
Work-in-process	2,924	(4)	—	2,920
Finished goods	305	(18)	(77)	210
Packaging and supplies	3,779	—	—	3,779
Non-cannabis merchandise	—	—	—	—
Total Inventory	**9,504**	**567**	**(97)**	**9,974**

As of June 30, 2020	Capitalized costs	Fair Value Transferred from Biological Assets	Impairment	Carrying Value
	$	$	$	$
Dried Cannabis				
Work-in-process	4,964	1,017	(297)	5,684
Finished goods	39	126	(142)	23
Cannabis derivative products				
Work-in-process	1,561	6	—	1,567
Finished goods	323	3	(202)	124
Packaging and supplies	1,772	—	—	1,772
Non-cannabis merchandise	82	—	—	82
Total Inventory	8,741	1,152	(641)	9,252

6. Trade and other receivables

	September 30, 2020	June 30, 2020
	$	$
Accounts receivable	**4,566**	2,614
GST/HST recoverable	**1,021**	748
	5,587	3,362

The Company largely sells to provincial bodies, representing the majority of the accounts receivable at quarter end (see Note 13 for revenue breakdown). Subsequent to the quarter, the Company has collected the majority of these accounts receivable due.

7. Investments

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

The Class A common shares were measured at fair value through profit or loss. Friendly Stranger is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy. The Company determined the best information to assess the fair value of the investment was based on the share price of Friendly Stranger's most recent convertible debt financing which indicated a share price of $1.99. A change in this assumption of plus or minus 10% would result in a corresponding change in fair value of the investment of approximately $37. As at September 30, 2020, the Class A common shares had a fair value of $373 (2019 - $750).

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

The convertible debenture is measured at fair value through profit or loss. The fair value was classified as level 3 within the fair value hierarchy. The fair value of the debt component was calculated using a discount rate of 32.02% at date of issuance. The conversion feature was calculated using the Black-Scholes model with the following assumptions: share price of $1.99, exercise price of $5.00, risk free rate of 0.28%, expected volatility of 100%, expected remaining life of 1.05 year and expected dividend yield of 0%. As at September 30, 2020, the convertible debenture had a fair value of $427 (2019 - $500).

As at September 30, 2020, the Company has recognized fair value changes of nil relating to this investment (September 30, 2019: a fair value loss of $450 relating to this investment).

Subsequent to quarter end, on November 2, 2020, Fire & Flower Holdings Corp., a subsidiary of Fire & Flower Inc. announced it had entered into a definitive share purchase agreement to acquire all of the issued and outstanding shares of Friendly Stranger Holdings Corp. See subsequent events note for further details.

8. Property, plant and equipment

	Land $	Building $	Machinery and equipment $	Computer equipment $	Furniture and fixtures $	Vehicles $	Construction in progress $	Total $
Cost								
As at June 30, 2020	2,430	15,527	13,110	358	18	43	2,006	33,492
Additions during the period		5	82	—	—	—	1,316	1,403
Allocation from construction in progress	—	897	547	—	—	—	(1,444)	—
Disposals during the period	—	—	(88)	—	—	—	—	(88)
As at September 30, 2020	**2,430**	**16,429**	**13,651**	**358**	**18**	**43**	**1,878**	**34,807**
Accumulated Amortization								
As at June 30, 2020	—	1,264	3,531	224	6	34	—	5,059
Depreciation for the period	—	241	506	18	1	1	—	767
Disposal during the period	—	—	(20)	—	—	—	—	(20)
As at September 30, 2020	**—**	**1,505**	**4,017**	**242**	**7**	**35**	**—**	**5,806**
Net Book Value								
As at June 30, 2020	2,430	14,263	9,579	134	12	9	2,006	28,433
As at September 30, 2020	**2,430**	**14,924**	**9,634**	**116**	**11**	**8**	**1,878**	**29,001**

Construction in progress includes portions of equipment that have been purchased but not fully assembled and ready for its intended use. As such, no depreciation has been applied to the construction in process. During the three months ended September 30, 2020, $599 of depreciation was capitalized to the production of dried cannabis (2019 - $221), of which $452 was included in cost of sales (2019 -$108).

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

9. Leases

Right of use assets

The Company leases assets, including land and vehicles. Information about leases for which the Company is a lessee is presented below:

	Right of use land	Right of use vehicles	Right of use building leases	Right of use total
Cost				
As at June 30, 2020	$57	$12	$771	$840
Additions				
As at September 30, 2020	**$57**	**$12**	**$771**	**$840**
Accumulated depreciation				
As at June 30, 2020	$11	$5	$90	$106
Expense for the period	3	1	36	40
As at September 30, 2020	**$14**	**$6**	**$126**	**$146**
Net book value				
At June 30, 2020	$46	$7	$681	$734
At September 30, 2020	**$43**	**$6**	**$645**	**$694**

Lease liabilities

Minimum payments under lease liabilities	**September 30, 2020**
Within 1 year	$240
2 to 3 years	491
Over 4 years	345
	1,076
Effect of discounting	(284)
Present value of lease payments	**792**
Less; current portion	136
Non-current portion of obligations under lease liabilities	**$656**

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Under the 12 month practical expedient method, the Company recognized $118 for the office lease during the first quarter of Fiscal 2021. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Where the lease contains a borrowing rate, the Company has used that rate. For the land lease, the Company has used a rate of 2.49%, representing a similar mortgage rate. The Company used a rate of 15% in the valuation of the building leases. The interest expense for the period ended September 30, 2020 was $29 (September 30, 2019 - $1).

10. License, intangibles and goodwill

Cost	License	Intangibles	Total
As at June 30, 2020	$2,833	$340	$3,173
As at September 30, 2020	**$2,833**	**340**	**3,173**
Accumulated amortization			
As at June 30, 2020	$333	$113	$446
Expense for the period	27	30	57
As at September 30, 2020	**$360**	**$143**	**$503**
Net book value			
At June 30, 2020	$2,500	$227	$2,727
At September 30, 2020	**$2,473**	**$197**	**$2,670**

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

11. Shareholders' equity

[a] Share capital

Authorized share capital consists of unlimited common shares with no par value. As of September 30, 2020, the Company had 176,030,500 issued and outstanding common shares (June 30, 2020 – 176,030,050).

[b] Stock options

The Company issues incentive stock options through option agreements administered by the Board of Directors of the Company who establish exercise prices, at not less than market price at the date of grant, and expiry dates, which have been set at between three and five years from issuance. Options under the option plan may vest immediately or become exercisable in various increments based on conditions as determined by the Board. The Company can issue up to 26,505,569 options and RSUs. As of September 30, 2020, there were 8,311,500 options and 896,667 RSUs issued under the plans, with 17,206,692 available for issuance.

During the three months ended September 30, 2020, the Company recorded $157 (2019 - $469) in share-based payments expense related to employee and contractor options which are measured at fair value at the date of grant and are expensed over the option's vesting period. In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions in the 3-month periods ended September 30:

	Fiscal 2021	Fiscal 2020
Risk-free interest rate	0.25% – 0.27%	1.17% - 1.43%
Expected life of options (years)	3	3
Expected annualized volatility	104% to 107%	90%
Expected dividend yield	nil	nil
Black-Scholes value range	$0.11 - $0.13	$0.44 - $0.50
Share price range	$0.18 - $0.20	$0.78 - $0.87

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

The following table reflects the continuity of stock options outstanding at September 30, 2020:

	Number of stock options	Weighted average exercise prices
Outstanding, June 30, 2020	8,488,060	0.65
Granted	557,000	0.21
Forfeited, expired	(733,500)	0.61
Outstanding, September 30, 2020	8,311,560	**$0.62**
Exercisable, September 30, 2020	**4,199,500**	**$0.85**

The weighted average remaining life of the options is 1.62 years.

[c] Restricted share units

On January 7, 2019, at the annual and general meeting of shareholders, disinterested shareholders approved the Company's RSUs. The Board of Directors uses RSUs, as well as Options, as part of the Company's overall Board and executive compensation plan. RSUs under the RSU plan may vest immediately or become exercisable in various increments based on conditions as determined by the Board. In determining the amount of share-based compensation, the Company used the closing price of the common shares on the RSU grant date.

The following table reflects the continuity of RSUs outstanding at September 30, 2020:

	Number of RSUs	Weighted average grant date fair value	Average remaining contractual life in years
Outstanding, June 30, 2020	921,667	$0.64	1.70
Forfeited/cancelled during period	(25,000)	$1.00	
Outstanding, September 30, 2020	**896,667**	**$0.64**	**1.24**

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

Time-based RSUs
As at September 30, 2020, the time-based equity award consisted of 816,667 RSUs (September 30, 2019 – 2,433,333) that will vest annually in two or three equal tranches after the date of RSU grant. For the three months ended September 30, 2020, the Company recorded $119 (2019 - $280) in share-based payments expense related to these RSUs.

Performance-based RSUs
As at September 30, 2020, the performance-based equity award consisted of 80,000 RSUs (September 30, 2019 – 281,667) that will vest upon achievement of certain performance criteria. The Company estimates when the performance criteria should be achieved and expenses the RSUs over that time period. Should the criteria be reached prior to or after the derived service date, the remaining unrecognized compensation cost for the award will be accelerated or deferred and recorded at that time. For the three months ended September 30, 2020, the Company recorded $6 (2019 - $58) in share-based payments expense related to these RSUs.

[d] Warrant reserve

The continuity of share purchase warrants outstanding is as follows:

	Number	Amount ($)
Balance at June 30, 2019	22,586,072	4,928
Expired warrants	(12,016,292)	(1,085)
Balance at June 30, 2020	10,569,780	3,843
Balance at September 30, 2020	10,569,780	3,843

As of September 30, 2020, the following warrants were outstanding:

Year of Issue	**Exercise Price**	**Expiration**	**Underlying Shares**	**Exercisable**
2019	$1.72	April 2, 2024	10,569,780	10,569,780

12. Joint operation

In January 2020, the Company entered into a supply and services agreement with a subsidiary of Humble + Fume Inc., with its principal place of business in the Brantford, ON, 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.

As a joint operator, the Company holds a 50% interest in the joint arrangement and recognizes it share of assets, liabilities, revenues and expenses arising from the arrangement.

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

13. Revenue

For the:		Three months ended September 30, 2020		Three months ended September 30, 2019
Sale of cannabis	$	7,587	$	1,587
Other		71		0
Excise duties		(1,384)		(144)
Total net revenue	$	6,274	$	1,443

For the: Sale of Cannabis by customer type:		Three months ended September 30, 2020		Three months ended September 30, 2019
Sales to provincial bodies				
Ontario	$	2,471	$	160
Quebec		1,828		496
Alberta		1,481		150
British Columbia		1,423		-
Manitoba		64		-
Sales to other licenced producers		320		781
Revenue	$	7,587	$	1,587

14. Discontinued operations

As part of the Company's revised focus on the Canadian marketplace, during May, 2020, the Company entered into a settlement agreement 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. The Company paid a working capital amount of $213 and forgave $523 in loans previously advanced to Sackville.

Additionally, during May, 2020, the Company entered into a separation agreement whereby it sold all of the issued and outstanding shares of Rare back to its founders for US$1.00. In addition, the Company forgave $1,628 in loans previously advanced to Rare.

Revenue and expenses, and gains and losses relating to the discontinued operations have been removed from the results of continuing operations and are shown as a single line item on the face of the condensed interim consolidated statement of comprehensive loss. The operating results of the discontinued operations can be analysed as follows:

For the three months ended September 30	2020 $	2019 $
Revenue	—	8
Cost of sales	—	1
Gross profit	—	7
ADMINISTRATIVE EXPENSES		
General and administrative	—	62
Sales and marketing	—	19
Depreciation and amortization	—	—
	—	81
Currency translation adjustment	—	(40)
Net loss from discontinued operations	—	(114)

Effect of the disposition on the Statement of Cash Flows is as follows:

Net cash provided by operating activities	$74
Cash used in investing activities	$(74)

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

15. Related party transactions and balances

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

	Three months ended September 30, 2020	Three months ended September 30, 2019
Consulting, salaries and wages	$383	$512
Share-based payments	190	511
Total	$573	$1,023

Included in accounts payable and accrued liabilities is $nil (2019 - $188) relating to separation agreements with former management individuals. Consulting, salaries and wages of $139 (2019 - $129) is included in sales and marketing and $244 (2019- $383) is included in general and administrative. Included in accounts payable and accrued liabilities is $67 (2019 - $109) due to key management.

16. Capital management

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

17. Financial instruments and risk management

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

	September 30, 2020	June 30, 2020
	$	$
Financial assets (1)	**7,206**	13,061
Financial liabilities (2)	**9,349**	7,016

(1) Includes cash and cash equivalents, trade receivables and convertible debenture portion of the long-term investment

(2) Includes accounts payable, accrued liabilities, lease liabilities

Fair value

The fair values of financial instruments classified at amortized cost approximate their carrying values due to their short-term maturity. The Company's investments classified at FVTPL consisted of the following as at September 30, 2020:

	Cost	Level 1	Level 2	Level 3	Total fair value
	$	$	$	$	$
Common shares of Friendly Stranger	750	—	—	373	—
Convertible debenture of Friendly Stranger	500	—	—	427	—

Within Level 3, the Company included its investment in Friendly Stranger (note 7) which are not quoted on a recognized securities exchange. The key assumptions used in the valuation of these instruments include, but are not limited to, the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies.

Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and accounts and other receivables. The risk exposure is limited to their carrying amounts reflected on the condensed interim consolidated statement of financial position. The risk for cash and cash equivalents is mitigated by holding these instruments with highly rated Canadian financial institutions. As the Company does not invest in asset-backed deposits or investments, it does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its money market funds. Accounts receivable primarily consist of trade accounts receivable and sales tax receivable. The Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk is generally limited for receivables from government bodies, which generally have low default risk. Credit risk for non-government wholesale customers is assessed on a case-by-case basis and a provision is recorded where required and 50% payment is required prior to the delivery of goods and 50% is required within 30 days of delivery. As of September 30, 2020, the majority of accounts receivable are from provincial regulators and wholesale customers. As of September 30, 2020, the Company recognized a $nil (2019 - $nil) provision for expected credit losses, with the majority of accounts receivables being current.

(Unaudited — Expressed in thousands of Canadian dollars, except share and per share amounts)

Foreign currency risk

The operating results and financial position of the Company are reported in Canadian dollars. With the acquisition and subsequent divestiture of Rare and Sackville during the year ended June 30, 2020, the Company operated internationally during the year, and certain of the Company's financial instruments and transactions were denominated in currencies other than the Canadian dollar. The results of the Company's operations have been, therefore, subject to currency transaction and translation risks. The Company's main risk is associated with fluctuations in U.S. dollars. At year end, the Company holds cash in Canadian dollars. Assets and liabilities are translated based on the Company's foreign currency translation policy. The Company has determined that as at September 30, 2020, with the divestitures completed, that the effect of a 10% increase or decrease in U.S. dollars against the Canadian dollar on financial assets and liabilities would not result in an increase or decrease to net income (loss). At September 30, 2020, the Company has not entered into any hedging agreements to mitigate currency risks, respect to foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company is exposed to interest rate risk on short-term advances and convertible debentures. Due to the short-term nature of these borrowings and the fixed nature of their interest rates, the Company believes interest rate risk is minimal.

Liquidity risk

The composition of the Company's accounts payable and accrued liabilities was as follows:

	September 30, 2020	June 30, 2020
	$	$
Trade payables	**6,251**	3,893
Accrued liabilities	**2,306**	2,300
	8,557	6,193
Current portion of lease liabilities	**136**	131
Total current liabilities	**8,693**	6,324

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities when they are due. The Company manages liquidity risk through the management of its capital structure and resources to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. The Company has the following gross contractual obligations as at September 30, 2020, which are expected to be payable in the following respective periods:

	Total	<1 year	1-3 years	3-5 years
	$	$	$	$
Accounts payable and accrued liabilities	8,557	8,557	—	—

Assessment of impact of 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 the business is not known at this time. These impacts could include, amongst others, an impact on the Company's ability to obtain debt or equity financing, increased credit risk on receivables, impairment of investments, impairments in the value of the long-lived assets, or potential future decreases in revenue or profitability of the Company's 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 the Company's business. These factors are beyond the Company's control, may adversely affect us and our suppliers or cause disruptions to their and the Company's businesses and may impact their ability to supply us. The Company will continually review the its COVID-19 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 the Company's production facilities, staff are required to wear PPE. Ensuring that the Company has adequate supplies of PPE at reasonable prices has presented challenges as supply has been curtailed. During fiscal 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. 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. The Company continues to monitor provincial government measures with regards to COVID-19, including essential services, potential closures of the store-front retail sales and how it might effect the Company's ability to continue to sell.

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. The Company continues to monitor commodity prices and how it might effect the estimated fair market value of its biological assets and inventory. During Q1 2021, there were no changes to estimated fair market values relating to commodity prices.

18. Subsequent events

(i) On November 2, 2020, Fire & Flower Holdings Corp., a subsidiary of Fire & Flower Inc. announced it had entered into a definitive share purchase agreement to acquire all of the issued and outstanding shares of Friendly Stranger Holdings Corp. The convertible debentures are converted into 107,348 Friendly Stranger common shares. It is expected that the Company's 294,848 shares in the Friendly Stranger will be converted into Fire & Flower Inc. shares and that there will be time restrictions on the Company's ability to sell the Fire & Flower Inc. shares.

(ii) On November 4, 2020, the Company raised gross proceeds of $3,415 by way of a brokered private placement of 22,676,000 units ("November Unit") at a price of $0.15 dollar per share. Each November Unit was comprised one common share and one common share purchase warrant ("November Warrant"). Each

November Warrant allows the holder to purchase one Common Share at a price of $0.30 dollar per share at any time prior to May 4, 2023. The Company has the right to accelerate the expiry date of the November Warrants prior to May 4, 2023 in the event that the closing trading price of the Common Shares on the TSX Venture Exchange is $0.45 dollar or greater for 20 consecutive trading days and a notice of acceleration is provided in accordance with the terms of the November Warrant, following which the expiry date of the November Warrants shall be the date that is 21 days after the date of such notice. 48North paid transaction costs of $240 in cash and issued 1,138,350 options ("November Compensation Options") to certain underwriters in connection with the offering. Each November Compensation Option is exercisable for one unit ("November Compensation Unit") at an exercise price of $0.36 dollar until May 4, 2023. Each November Compensation Unit is comprised of one common share and one warrant ("November Compensation Unit Warrant"). Each November Compensation Unit Warrant allows the holder to purchase one Common Share at a price of $0.15 dollar until May 4, 2023.

(iii) On November 10, 2020, the Company entered into a $3,250 term loan ("Term Loan") with a senior secured lender. The Term Loan has a maturity date of twenty-four months and bears interest at the greater of (i) a per annum rate of prime + 4.55% and (ii) 7% per annum compounded and payable monthly. It is secured by the Company's industrial property on approximately 5 acres of land at 47 Morton Avenue East, Brantford, Ontario owned by 2618351 Ontario Inc. and has been guaranteed by 48North Cannabis Corp, Good & Green Cannabis Corp. and Good & Green Corp.