



## **48North Cannabis Corp. Provides Corporate Update**

**Open Letter to Stakeholders from Chief Executive Officer, Charles Vennat**

**January 18, 2021— Toronto, Ontario:** 48North Cannabis Corp. (TSXV:NRTH) ("48North" or the "Company"), announced today that Chief Executive Officer Charles Vennat issued an open letter to stakeholders to provide a corporate update of 48North.

To the stakeholders of 48North:

I write to provide you an update on our company's state of affairs, corporate strategy, and path to future success.

While I am excited to update you all on the important progress that 48North has made, I would be remiss if I did not first acknowledge the difficult circumstances that we are collectively facing as the COVID-19 pandemic continues to affect millions of Canadians in different ways. I am grateful for our team's hard work in response to the circumstances, particularly frontline staff at our cultivation and manufacturing facilities.

While many Canadians will soon want to forget the year that was, for 48North 2020 was a pivotal year where we shifted our attention squarely on the consumer. In 2021 that focus will only continue to sharpen.

To best understand where we are going as a company, it is important to revisit the two fundamental commitments I made to our stakeholders last year:

1. That we would maintain focus on the company's founding vision, that natural and high-quality products can create thought-provoking experiences that nurture wellbeing.
2. That we would make necessary operational improvements so that our company could bring more products to the market and live up to the high expectations of our consumers.

We have delivered on both commitments, launching 32 SKUs nationwide since March 2020, centered on the belief that beloved brands with strong products will differentiate the winners and losers.

With confidence, I can now say that 48North is a brand-led and consumer-obsessed Licensed Producer with an expansive portfolio of high-quality, accessibly priced products.

While our peers with deeper pockets and larger teams splurged on international expansion, medical markets, and patent hoarding – our mission never changed – to build a best-in-class Canadian recreational cannabis company. We remain steadfastly driven by this pursuit.

In the legal recreational industry's earliest days, we saw a feeding frenzy of investment activity, fueled by stock promotion with limited interest in building meaningful brands or quality products. For most Licensed Producers, consumers were afterthoughts, and it is showing.

At 48North, our strategy flips this flawed way of thinking on its head. We lead with brand and consumer insights. Our investments in facilities, people, and products serve to bring our brand vision to consumers across Canada, and it is working.

## **Our People**

When I took over as CEO, much of the operational foundation still needed to be laid. To achieve this, we needed to add experience and sharpen our focus. We have done exactly that.

We hired Michael Highdale, a results-oriented CPG executive with broad senior experience in the food and beverage industry as our Chief Operating Officer. Michael has played a leading role professionalizing our operational and manufacturing capabilities.

We have added experience to our cultivation team and entered this year's Good:Farm planting and harvesting seasons with valuable insights from our ground-breaking year as one of Canada's first licensed outdoor cultivation facilities in 2019. Further, we are proud to partner with Humble Cannabis Services, a division of humble+fume, to support our growing national sales objectives.

Effective immediately, the company is announcing the departure of Chief Financial Officer, David Hackett. On behalf of the entire 48North team and our Board of Directors, I would like to thank David for his time at the company. In his three years with the company, David helped us navigate many of our largest business milestones – including taking us public in 2018. We wish David all the best in his future endeavors.

To that end, the company is also announcing the naming of Donnacha Rahill as Interim CFO. Donnacha has over 20 years of experience in various CFO and senior finance roles in Canada, Ireland and Singapore. Most recently, Donnacha served as CFO for Flow Capital Corp. (TSXV: FW). He is a Fellow of the Institute of Chartered Accountants in Ireland and was admitted to membership in November 1987.

I am also pleased to announce we have officially begun a formal search process for the Company's permanent CFO position.

Our leadership team is committed to the success of the company and is well positioned to continue with our rapid growth.

## **Our Products**

48North's approach to product development is informed by an understanding not only of where the industry is today, but where it is going and where we want to position ourselves within it. We have established ourselves as an early leader in innovative product development, introducing Canada's

consumers to the first topical, *Apothecanna*. We continue to be a market leader in the manufacturing and sale of topicals.

Delighting consumers is at the heart of our strategy, and we are constantly leveraging data in order to refine our product offering, and to deliver accessible quality across the country. For example, we were pleased to see recent [data](#) from the *Ontario Cannabis Store* suggesting that the majority of new consumers see environmental and sustainable packing as an important attribute. We have heard this message resoundingly from our own consumers, who are ecstatic about our biodegradable packaging.

We are listening to consumers about gaps in the market so that we can reach underserved segments of the population. Under our *Latitude* brand, for example, we have launched a range of products from sexual wellness, to beauty, and beyond. Under this banner, our intimacy oil is available in Ontario and Alberta.

Our investments into our operational capabilities allow us to quickly launch new products to market while meeting growing in-market demand for our branded products. In the coming year, we expect to expand our offerings even further with live resin, edibles, accessible vapes, a new topical line, and value-branded pre-rolls.

### **Our Facilities**

We are now fully licensed to cultivate, extract, manufacture and sell all cannabis, and this is a direct testament to the progress we have made at our three facilities: delshen, Good:Farm, and Good:House.

At delshen, we cultivate high-quality indoor craft cannabis. Most notably, delshen is where we cultivate our *Green Crush* and *Where's My Bike* strains that consistently test at over 20% THC with strong terpene content. At Good:Farm, we have proven that outdoor cultivation works; when it comes to products such as vapes and topicals, outdoor cannabis allows us to compete on price and quality. And finally, at Good:House, we run an automated state-of-the-art production facility critical to ensuring that our supply chain can meet in-market demand for our products.

These investments into our operational infrastructure have required significant patience and commitment but have allowed us to lay a strong foundation to our commercialization strategy.

### **Our Results**

The industry has matured and the metrics that govern our success have evolved. Capacity and cultivation yields continue to be important for vertically integrated companies like 48North, but revenue, market share, distribution, and consumer preference now reign supreme in an industry that is rapidly starting to mature. By these metrics, 48North is exceeding expectations.

To wit: we have recently ranked as the number one topical at retail in Ontario, and three of the top ten topical products in Canada. We have established early market leadership with the number one concentrate in Ontario and Alberta and our dried flower and pre-rolls frequently rank in the top ten for Ontario sales.

Our approach is reliant on a consumer-centric selection of high-quality, affordable products, and building upon our excellent relationships with wholesalers and retailers alike. In provinces like Ontario,

that are moving to a “core assortment of products”, we have solidified our existing presence with a number of SKUs with retail penetration of over 50 per cent.

In Alberta, we experienced a 1,454 per cent increase in sales, and a 560 per cent increase in Ontario. We are thrilled to see the steady monthly growth of the Canadian adult-use cannabis market, led by strong store roll outs in Ontario and Quebec. Consumer response is encouraging, and we are working hard to live up to expectations. We are bringing flower to the people, one SKU at a time.

Not only are consumers intrigued by our new products, but we continue to experience high rates of reorders. We are working hard to ensure that 48North consumers of today will be with us tomorrow, and that they will be joined by an ever-increasing number of Canadians across the country.

In Q1 of Fiscal 2021, we decreased our cash use by nearly 20 per cent from \$8.55 million in Q4 to \$7.1 million. Following its build out of the Good:House facility and the completion of the state-of-the-art drying facility at the Good:Farm, the company does not expect further significant capital expenditures in Fiscal 2021. Building on the efficiencies stemming from our investments into automation and process improvement, we also expect to continue to lower operating costs and increase our gross margins. With increasing revenues and decreasing spending, we are continuing to meet our targets and expect to be in a position to announce our path to profitability within the fiscal year.

We are a company that believes we can achieve strong results by focusing on what we do best: delighting the consumer by focusing on our brands, our products, and our people. As a brand-led and consumer-obsessed Licensed Producer, I am proud of the progress we continue to make.

I look forward to providing additional updates as we progress on our steady climb towards profitability.

Yours truly,

Charles Vennat, Chief Executive Officer

## **About 48North**

48North Cannabis Corp. is a brand-led vertically integrated Licensed Producer focused on manufacturing high-quality products, nurturing progressive and thought-provoking brands, and low-cost cultivation. 48North operates Good:Farm, a 100-acre organic cannabis farm which produces organically-grown cannabis, securing a significant first-mover advantage in the production of low-cost, next-generation, extract-based cannabis products. In addition, the Company operates two indoor-licensed cannabis production sites in Ontario. 48North cultivates unique genetics at its wholly owned subsidiary, DelShen Therapeutics Corp. (“DelShen”) and processes cannabis and manufactures next-generation cannabis products at Good & Green Corp. (“Good:House”). 48North has an industry leading commercialization process, turning raw biomass into high-quality finished product with distribution and market share across the country.

48North has a growing portfolio of brands that includes: 48North, an innovative and high-quality cannabis brand focused on sustainability; Latitude, a next-generation lifestyle cannabis platform focused on sexual wellness, beauty and beyond; Trail Mix, an accessibly-priced recreational cannabis brand that leverages biomass from the Company’s outdoor cannabis farm, and two-licensed U.S. brands Avitas and

Apothecanna. In addition, 48North operates Good & Green Manufacturing Corp., a state-of-the-art cannabis processing, manufacturing, packaging, and distribution hub for the Canadian cannabis industry. In operation since 2017, Good & Green Manufacturing Corp. has successfully launched over 50 products – ranging from vapes, pre-rolls, hash, flower, solventless extracts – in the recreational marketplace.

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