48NORTH CANNABIS CORP.
Condensed Interim Consolidated Financial Statements
(Unaudited)
As at March 31, 2021

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		March 31, 2021		June 30, 2020
Assets				
Current assets				
Cash and cash equivalents	$	**1,441**	$	9,272
Trade and other receivables (Note 18)		**4,910**		3,362
Prepaid expenses		**2,752**		1,455
Biological assets (Note 6)		**544**		1,700
Inventory (Note 6)		**13,285**		9,252
Assets held for sale (Note 7)		**1,990**		-
Investments (Note 8)		**293**		-
		25,215		25,041
Non-current assets				
Long-term deposits		-		40
Long-term investments (Note 8)		-		800
Property, plant and equipment, net (Note 9)		**21,574**		28,433
Right of use assets (Note 10)		**614**		734
Licence (Note 11)		**2,420**		2,500
Intangible assets (Note 11)		**57**		227
		24,665		32,734
Total assets	$	**49,880**	$	57,775
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 16, 18)	$	**14,808**	$	6,193
Current portion of lease liabilities (Note 10)		**144**		131
Debts (Note 12)		**4,678**		-
		19,630		6,324
Non-current liabilities				
Lease liabilities (Note 10)		**582**		692
Deferred income tax liability		**99**		99
		681		791
Total liabilities		**20,311**		7,115
Shareholders' equity				
Share capital (Note 13)		**113,630**		111,464
Share-based payments reserve (Note 13)		**3,364**		4,039
Warrants reserve (Note 13)		**4,799**		3,843
Contributed surplus		**6,865**		5,940
Deficit		**(99,089)**		(74,626)
Total shareholders' equity		**29,569**		50,660
Total liabilities and shareholders' equity	$	**49,880**	$	57,775

Continuance of operations and going concern (Note 2)

See accompanying notes to unaudited condensed interim consolidated financial statements.

On behalf of the Board:

/s/ *Martin Cauchon*
Martin Cauchon, Chairman

/s/ *William Assini*
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 March 31, 2021		Three months ended March 31, 2020 (Note 15)		Nine months ended March 31, 2021		Nine months ended March 31, 2020 (Note 15)
Revenue (Note 14)	**$**	**5,193**	$	2,674	**$**	**19,613**	$	5,967
Excise taxes		**(1,515)**		(537)		**(4,332)**		(869)
Total net revenue		**3,678**		2,137		**15,281**		5,098
Costs of sales								
Inventory expensed to cost of sales, before fair value adjustments		**5,234**		1,626		**18,122**		3,370
Other cost of sales		**-**		100		**-**		100
Inventory impairment costs (Note 6)		**2,332**		-		**5,837**		-
Gross profit (loss) before fair value adjustments		**(3,888)**		411		**(8,678)**		1,628
Unrealized fair value adjustment on growth of biological assets (Note 6)		**(21)**		754		**(648)**		9,002
Realized fair value adjustment on inventory sold (Note 6)		**(89)**		(6,105)		**235**		(8,462)
Gross profit (loss)		**(3,998)**		(4,940)		**(9,091)**		2,168
Administrative expenses								
General and administrative (Note 16)		**4,868**		5,156		**7,938**		11,818
Sales and marketing (Note 16)		**463**		748		**1,440**		3,774
Share-based payments (Note 16)		**71**		289		**647**		1,568
Depreciation and amortization (Note 6, 9, 10, 11)		**206**		547		**809**		1,335
Impairment of property, plant and equipment (Note 9)		**4,162**		-		**4,762**		-
Realized loss/(gain) on long-term investments		**(286)**		-		**333**		-
Fair value changes on other investments		**(36)**		(18)		**(557)**		(18)
Loss/(Gain) on change in fair value of contingent consideration		**-**		2,224		**-**		194
Total expenses		**9,448**		8,946		**15,372**		18,671
Loss from continuing operations before income taxes		**(13,446)**		(13,886)		**(24,463)**		(16,503)
Impairment of goodwill		**-**		(4,139)		**-**		(4,139)
Income tax provision (recovery)		**-**		(989)		**-**		(445)
Loss from continuing operations	**$**	**(13,446)**	$	(17,036)	**$**	**(24,463)**	$	(20,197)
Loss from discontinued operations (Note 15)		**-**		(656)		**-**		(1,390)
Other comprehensive loss								
Currency translation adjustment		**-**		97		**-**		97
Net loss and comprehensive loss	**$**	**(13,446)**	$	(17,595)	**$**	**(24,463)**	$	(21,490)
Basic and fully diluted loss per share, continuing operations		**(0.067)**		(0.096)		**(0.130)**		(0.116)
Basic and fully diluted loss per share, discontinued operations		**-**		(0.004)		**-**		(0.008)
Weighted average number of shares outstanding (000's)		**199,355**		177,554		**188,466**		173,442

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 March 31, 2021		Three months ended March 31, 2020		Nine months ended March 31 2021		Nine months ended March 31 2020
Operating activities								
Net loss for the period	$	**(13,446)**	$	(17,692)	$	**(24,463)**	$	(21,587)
Add (deduct) items not involving cash								
Inventory impairment costs		**1,249**		-		**1,637**		-
Unrealized fair value adjustment on growth of biological assets (Note 6)		**21**		(754)		**648**		(9,002)
Change in impairment of goodwill		-		4,139		-		4,139
Realized fair value adjustment on inventory sold (Note 6)		**89**		6,105		**(235)**		8,462
Change in fair value of contingent consideration		-		2,224		-		194
Depreciation included in inventory expensed to cost of sales		**306**		99		**1,183**		349
Depreciation and amortization (Note 6, 9, 10, 11)		**104**		559		**707**		1,359
Interest from lease obligations		-		48		-		48
Share-based payments (Note 16)		**71**		289		**647**		1,568
Loss on disposal of property, plant and equipment (Note 7)		**229**		-		**229**		-
Impairment of equipment (Note 9)		**3,933**		-		**4,533**		-
Realized gain/loss on long-term investments		**333**		-		**333**		-
Unrealized fair value gain/loss on long-term investments		**(655)**		(18)		**(557)**		(18)
Non-cash accretion expense in general and administrative		**53**		(22)		**86**		-
Income tax provision (recovery)		-		(990)		-		(446)
Foreign exchange		-		55		-		30
Changes in non-cash working capital items:								
Decrease (increase) in trade and other receivables		**(246)**		(1,062)		**(1,548)**		(2,310)
Decrease (increase) in prepaid expenses		**565**		4		**(1,297)**		(583)
Decrease in biological assets		**16**		(202)		**585**		463
(Increase) in inventory		**(785)**		(2,755)		**(4,759)**		(9,111)
Increase in accounts payable and accrued liabilities		**3,372**		(705)		**8,615**		2,856
Cash used in operating activities	$	**(4,791)**	$	(10,678)	$	**(13,656)**	$	(23,589)
Investing activities								
Acquisition of property, plant and equipment (Note 9)	$	**(728)**	$	(3,849)	$	**(2,514)**	$	(8,110)
Proceeds from disposal of property, plant and equipment		**348**		-		**348**		-
Net cash paid in acquisition of Rare Industries, Inc.		-		461		-		(417)
Net cash paid in acquisition of Sackville & Co. Merchandising Ltd.		-		(2)		-		(411)
Cash acquired on acquisition of Rare Industries, Inc.		-		6		-		6
Cash acquired on acquisition of Sackville & Co. Ltd.		-		2		-		2
Settlement of pre-existing relationship		-		(437)		-		(437)
Acquisition of Apothecanna brand rights		-		(207)		-		(340)
Transaction costs		-		(30)		-		(30)
Acquisition of investment		-		-		-		(1,250)
Proceeds from sale of Investment		**731**		-		**731**		-
Long-term deposits		**40**		(25)		**40**		(556)
Cash used in investing activities	$	**391**	$	(4,081)	$	**(1,395)**	$	(11,543)
Financing activities								
Proceeds from the exercise of stock options and warrants (Note 13)	$	**-**	$	(1)	$	**-**	$	237
Net proceeds from debt (Note 12)		**1,822**		-		**4,592**		-
Net proceeds from brokered private placement (Note 13)		-		-		**2,725**		-
Payments towards principal portion of lease liability		**(34)**		(35)		**(97)**		(50)
Cash provided from (used in) financing activities	$	**1,788**	$	(36)	$	**7,220**	$	187
Decrease in cash and cash equivalents	$	**(2,612)**	$	(14,795)	$	**(7,831)**	$	(34,945)
Cash and cash equivalents, beginning of period		**4,053**		32,616		**9,272**		52,766
Cash and cash equivalents, end of period	$	**1,441**	$	17,821	$	**1,441**	$	17,821

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		Accumulated OCI		Deficit		Total shareholders' equity
Balance June 30, 2019	**168,036,965**	**$**	**106,947**	**$**	**4,927**	**$**	**7,838**	**$**	**441**	**$**	**-**	**$**	**(34,352)**	**$**	**85,801**
Issuance on exercise of stock options	502,000		389		-		(152)		-		-		-		237
Issued on exercise of RSUs	1,138,333		694		-		(694)		-		-		-		-
Expiry of warrants	-		-		(451)		-		451		-		-		-
Expiry of options	-		-		-		(74)		74		-		-		-
Expiry of RSUs	-		-		-		(96)		96		-		-		-
Common shares issued on acquisition	2,247,834		1,858		-		-		-		-		-		1,858
Common shares in escrow classified as a liability	4,756,624		-		-		-		-		-		-		-
Common shares issued on acquisition	1,060,368		594		-		-		-		-		-		594
Share-based payments	-		-		-		1,568		-		-		-		1,568
Net loss for the period	-		-		-		-		-		-		(21,587)		(21,587)
Other comprehensive income	-		-		-		-		-		97		-		97
Balance March 31, 2020	**177,742,124**	**$**	**110,482**	**$**	**4,476**	**$**	**8,390**	**$**	**1,062**	**$**	**97**	**$**	**(55,939)**	**$**	**68,568**

	Number of shares		Share capital		Warrant reserve		Share-based payment reserve		Contributed surplus		Accumulated OCI		Deficit		Total shareholders' equity
Balance June 30, 2020	**176,030,500**	**$**	**111,464**	**$**	**3,843**	**$**	**4,039**	**$**	**5,940**	**$**	**-**	**$**	**(74,626)**	**$**	**50,660**
Units issued on brokered private placement (Note 13)	22,767,000		1,769		956		-		-		-		-		2,725
Expiry of options	-		-		-		(806)		806		-		-		-
Expiry of RSUs	-		-		-		(119)		119		-		-		-
Share-based payments (Note 13)	-		-		-		647		-		-		-		647
RSUs exercised	673,333		397		-		(397)		-		-		-		-
Net loss for the period	-		-		-				-		-		(24,463)		(24,463)
Balance March 31, 2021	**199,470,833**	**$**	**113,630**	**$**	**4,799**	**$**	**3,364**	**$**	**6,865**	**$**	**-**	**$**	**(99,089)**	**$**	**29,569**

The accompanying notes are an integral part of these unaudited condensed interim 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. G&G is licenced to produce cannabis pursuant to the Cannabis Act at G&G's 100-acre outdoor cannabis production facility (the "Good:Farm"). On March 29, 2021, the Company announced that it will immediately cease operations at "Good:Farm" and the related assets are now classified as assets held for sale (Note 7).

On May 17, 2021, (the "Announcement Date"), the Company announced they have entered into a definitive arrangement agreement (the "Arrangement Agreement") with HEXO Corp. ("Hexo") under which Hexo will acquire, by way of court-approved plan of arrangement under the *Canada Business Corporations Act*, all of the Company's issued and outstanding common shares in an all-share transaction (the "Transaction") (Note 5). Under the Arrangement Agreement, Hexo will provide 48North with a $5,000 subordinated secured bridge loan to fund 48North's short-term working capital requirements. The bridge loan will be for a 6-month term and provided within 30 days of the Announcement Date.

2. Continuance of operations and going concern

The Company reported a comprehensive loss of $24,463 and negative cash flows from operations of $13,656 during the nine-month period ended March 31, 2021. As of March 31, 2021, the Company had a deficit in the amount of $99,089. 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 and the Company's ability to continue as a going concern is dependent upon its capability to generate revenues from sales of cannabis and cannabis products, commence profitable operations, and raise additional financing as needed to meet its obligations. On April 16, 2021, the Company announced the closing of an overnight marketed public offering for total gross proceeds of $5,396. While the Company's management believe that there are many financing opportunities available, there is no assurance that it will be able to successfully obtain additional financing as needed. On May 17, 2021, the Company entered into an Arrangement Agreement with Hexo whereby Hexo will acquire all of the Company's issued and outstanding common shares in an all-share transaction and provide the Company with a $5,000 subordinated secured bridge loan to fund 48North's short-term working capital requirements. The Transaction if closed will likely remove any material uncertainty or 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 March 31, 2021.

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.

Significant accounting policies, judgements, estimates, and assumptions

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 the accounting policies, judgements, estimates and assumptions consistent with those used in the annual consolidated financial statements. See note 4 for new accounting policies, estimates, and judgments implemented after June 30, 2020.

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

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. (“2618351”)	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 May 28, 2021.

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 July 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 July 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.

b) **New accounting policy**

Contract manufacturing services revenue

Contract manufacturing arrangements consists of agreements in which the Company manufactures cannabis products on behalf of a third-party Licensed Producer. The Company’s performance obligation is to manufacture and distribute cannabis products to customers, typically provincial retailers. The Company earns a pre-determined standalone price per unit manufactured and distributed and the performance obligations are considered to be satisfied when control of the product is transferred to the customer. Control is transferred to the customer when the product is shipped to the customer as the inventory risk and risk of ownership passes to the customer at that time. Payment terms for these sales are generally less than two months. The Company estimates returns based on historical experience. Historically, the Company have not had material returns for contract manufactured products.

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

5. Hexo Corp. Acquisition

Under the terms of the Arrangement Agreement, the Company's shareholders will receive 0.02366 of a Hexo common share in exchange for each Company common share held (the "Exchange Ratio"). It is anticipated that 48North's outstanding common share purchase warrants and options will, assuming and following closing of the Transaction, will be adjusted in accordance with their terms to ultimately become exercisable to receive common shares of Hexo based on the Exchange Ratio. All of the Company's unvested and unexercised RSUs, will be accelerated on close and converted into Hexo common shares. The Arrangement Agreement will be accounted for as an acquisition of the Company by Hexo. The Transaction is expected to close by August 31, 2021 or sooner.

6. Biological assets and inventories

a) Biological assets

The changes in the carrying value of biological assets for the nine months ended March 31, 2021 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	(648)
Production costs capitalized to biological assets	4,231
Transferred to inventory upon harvest	(4,739)
Balance at March 31, 2021	**$544**

The net loss arising from fair value less costs to sell due to biological transformation for the three month and nine-month respective periods ended March 31, 2021 was $21 and $648 (a net gain of $755 and $9,003 for the respective three and nine months ended March 31, 2020).

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 Indoor Production	**Weighted Average Inputs**	**Sensitivity**	**Effect on Biological Asset Balance**
Selling price per gram	$4.92 dollar	Increase/decrease $1.00 dollar/gram	Increase/decrease $160
Average yield per plant	128 grams	Increase/decrease 10%	Increase/decrease $55
Post-harvest cost per gram	$0.58 dollar	Increase/decrease $0.50 dollar/gram	Decrease/increase $116
Cumulative stage of completion	42%	Increase/decrease by 5 percentage point	Increase/decrease $9

(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 March 31, 2021 and June 30, 2020.

As of March 31, 2021	Capitalized costs	Fair Value Transferred from Biological Assets	Impairment	Carrying Value
	$	$	$	$
Dried Cannabis				
Work-in-process	4,540	170	(2,171)	2,539
Finished goods	3,248	427	(153)	3,522
Cannabis derivative products				
Work-in-process	2,675	32	—	2,707
Finished goods	513	4	(8)	509
Packaging and supplies	4,008	—	—	4,008
Non-cannabis merchandise	—	—	—	—
Total Inventory	**14,984**	**633**	**(2,332)**	**13,285**

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

The Company wrote off $1,083 and $3,028 of inventory during the three and nine months ended March 31, 2021, respectively, due to the costs capitalized exceeding the recoverable amount (2020 - $nil). The Company recognized a provision for impairment of inventory of $1,249 and $1,637 for the three and nine months ended March 31, 2021 (2020 - $nil). In the nine months ended March 31, 2021, $1,172 included in the inventory impairment costs related to a transfer from realized fair value adjustment on inventory sold (2020 - $nil). The Company recorded a realized fair value loss on inventory sold of $89 (2020 - $6,106) and a realized fair value gain on inventory sold of $235 (2020 – a realized fair value loss of $8,463) for the respective three-and-nine-month period ended March 31, 2021.

7. Assets held for sale

On March 29, 2021, the Company announced that it will immediately cease operations at its “Good:Farm” outdoor cultivation facility located in Brant County, Ontario. The assets attributable to this cultivation facility, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the condensed interim consolidated statement of financial position. The carrying amount of the relevant assets reclassified to assets held for sale prior to impairment and the impairment charge that was recognized were:

	Carrying amount prior to impairment	**Impairment**	**Reclassified to Asset held for sale**
Land	1,646	(289)	1,357
Building	2,131	(1,769)	362
Machinery and equipment	2,146	(1,875)	271
Total	**$ 5,923**	**$ (3,933)**	**$ 1,990**

The fair value less costs of disposal recognized as at March 31, 2021 was $1,990. The fair value was based on comparable listings and offers received. As a result, an impairment loss of $3,933 was recognized for the three months ended March 31, 2021.

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

8. Investments

On October 6, 2020, the Company's $500,000 convertible debenture investment in Friendly Stranger Holdings Corp. ("Friendly Stranger") were converted into 107,348 Friendly Stranger common shares, bringing the Company's aggregate holdings of Friendly Stranger common shares to 294,848. On November 2, 2020, Fire & Flower Holdings Corp., a subsidiary of Fire & Flower Inc. ("Fire and Flower") announced that they had entered into a definitive share purchase agreement to acquire all of the issued and outstanding shares of Friendly Stranger. On December 1, 2020, the Company received 806,845 Fire and Flower shares in exchange for its aggregate holdings in Friendly Stranger. During the three months ended March 31, 2021, the Company sold 537,897 of the outstanding shares for proceeds of $731 and realized a gain of $286. The market price of the remaining 268,948 shares at March 31, 2021 was $1.09 per share which resulted in a fair value gain of $70 and carrying value of $293. As the shares of Fire and Flower are actively traded on the Toronto Stock Exchange, this investment is classified as Level 1 on the fair value hierarchy under IFRS 13 fair value measurement. Information on the investment held is presented below:

	March 31, 2021	June 30, 2020
	$	$
Investment in shares	**293**	800
Less: current portion	**293**	-
Non-current portion of investment in shares	**-**	800

9. 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		548	145	-	-	-	1,821	2,514
Allocation from construction in progress		1,192	1,424	-	-	-	(2,616)	-
Impairment charges	(289)	(1,769)	(1,875)	-	-	-	(600)	(4,533)
Disposals during the period			(392)	-	-	-	(185)	(577)
Reclassification to Assets held for sale, net of impairment (note 7)	(1,357)	(617)	(1,191)	-	-	-		(3,165)
As at March 31, 2021	**784**	**14,881**	**11,221**	**358**	**18**	**43**	**426**	**27,731**
Accumulated amortization								
As at June 30, 2020	-	1,264	3,531	224	6	34	-	5,059
Depreciation for the period	-	716	1,638	18	1	2	-	2,375
Disposal during the period	-	-	(102)	-	-	-	-	(102)
Reclassification to Assets held for sale (note 7)	-	(255)	(920)	-	-	-	-	(1,175)
As at March 31, 2021	-	1,725	4,147	242	7	36	-	6,157
Net book value								
As at June 30, 2020	2,430	14,263	9,579	134	12	9	2,006	28,433
As at March 31, 2021	**784**	**13,156**	**7,074**	**116**	**11**	**7**	**426**	**21,574**

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 and nine months ended March 31, 2021, $744 and $1,936, respectively, of depreciation was capitalized to the production of dried cannabis (2020 - $301 and $786, respectively), of which $305 and $1,183, respectively, was included in cost of sales (2020 - $99 and $349, respectively).

The impairment on property, plant and equipment is made up as follows:

For the:	**Three months ended March 31, 2021**	Three months ended March 31, 2020	**Nine months ended March 2021**	Nine months ended March 31 2020
Loss on disposal of property, plant and equipment	**$ 229**	$ -	**$ 229**	$ -
Impairment on property, plant and equipment	-	-	**600**	-
Impairment on property, plant and equipment taken on reclassification to assets held for sale (note 7)	**3,933**	-	**3,933**	-
Total impairment of property, plant and equipment	**$ 4,162**	$ -	**$ 4,762**	$ -

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

On November 10, 2020, the Company closed a mortgage financing in the amount of $3,250 on the Company's building located at 47 Morton Avenue East Brantford, Ontario (for more information refer to Note 12).

10. 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 assets:	Land Rights	Vehicles	Building	Total
	$	$	$	$
Cost				
As at June 30, 2020	57	12	771	840
Additions during the period	-	-	-	-
As at March 31, 2021	**57**	**12**	**771**	**840**
Accumulated amortization				
As at June 30, 2020	11	5	90	106
Depreciation for the period	8	4	108	120
As at March 31, 2021	19	9	198	226
Net book value				
As at June 30, 2020	46	7	681	734
As at March 31, 2021	**38**	**3**	**573**	**614**

Lease liabilities

Minimum payments under lease liabilities	**March 31, 2021**
Within 1 year	239
2 to 3 years	496
Over 4 years	220
	955
Effect of discounting	(229)
Present value of lease payments	**726**
Less: current portion	144
Non-current portion of obligations under lease liability	**582**

11. License and intangible assets

	Licence	Intangibles	Total
	$	$	$
Cost			
As at June 30, 2020	2,833	340	3,173
As at March 31, 2021	**2,833**	**340**	**3,173**
Accumulated amortization			
As at June 30, 2020	333	113	446
Amortization for the period	80	170	250
As at March 31, 2021	413	283	696
Net book value			
As at June 30, 2020	2,500	227	2,727
As at March 31, 2021	**2,420**	**57**	**2,477**

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

The licences were granted from Health Canada and represent the amounts capitalized on the acquisition of G&G. The intangibles represent the capitalized costs for the Apothecanna brand rights.

12. Debt

	March 31, 2021	June 30, 2020
Current	**$**	$
Mortgage (a)	**2,856**	-
Payable under receivables purchase agreement (b)	**1,822**	-
Total	**4,678**	-

(a) Mortgage

On November 10, 2020, one of the Company's subsidiaries, 2618351 entered into a $3,250 mortgage term loan ("Term Loan") with a senior secured lender, collateralized by the Company's building located at 47 Morton Avenue East Brantford, Ontario and guaranteed by the Company, G&GCC and G&G. 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 calculated monthly. The interest on the Term Loan was prepaid and the principal is due when the Term Loan matures. The Company has the right to renew the Term Loan for two further periods of six months. The carrying amount as at March 31, 2021 is made up as follows:

Mortgage term loan principal	**$**	**3,250**
Less: Interest reserve		(421)
Less: Transaction costs		(59)
Net proceeds from debt		**2,770**
Accretion expense		**86**
Net Debts	**$**	**2,856**

The company recognized $86 in accretion expense for the nine months ended March 31, 2021 and is included in general and administrative expenses (2020 - $nil).

(b) Payables under receivables purchase agreement

On December 23, 2020, one of the Company's subsidiaries, DelShen signed a receivable purchase agreement ("Receivable Purchase Agreement") with a Canadian financial institution (the "Buyer") for advances up to $4,000 secured by receivables on approved debtor accounts. Under the Receivable Purchase Agreement, DelShen is eligible to receive an advance of 80% of the eligible receivable balance to be repaid upon collection of the receivable. The Buyer has the right to request the repurchase of the receivable by DelShen if the Company does not collect the balance 30 days after the due date. The Company and the remaining subsidiaries are guarantors under the Receivables Purchase Agreement. As at March 31, 2021, the Company had $1,822 in advances outstanding. Included in general and administrative expenses are interest charges of $131 for the three and nine months ended March 31, 2021 which is inclusive of a $120 standby charge (2020 - $nil).

13. Shareholders' equity

[a] Share capital

Authorized share capital consists of unlimited common shares with no par value. As of March 31, 2021, the Company had 199,470,833 issued and outstanding common shares (June 30, 2020 – 176,030,050).

On November 4, 2020, the Company raised gross proceeds of $3,415 by way of a brokered private placement, distributing 22,676,000 units. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional Common Share for $0.30 per share at any time prior to May 4, 2023. The Company has the right to accelerate the expiry date of the warrants prior to May 4, 2023 in the event that the closing trading price of the Common Shares on the TSX Venture Exchange is $0.45dollars or greater for 20 consecutive trading days and a notice of acceleration is provided to all holders, following which the expiry date shall be the amended to the date that is 21 days after the date of such notice. The Company recorded $2,355 for the issuance of shares and $1,060 for the issuance of warrants based on a relative fair value calculation. The fair value of these warrants for the relative fair value calculation was based on the following assumptions: share price - $0.155, annualized volatility – 103.85%, risk free interest rate – 0.41%, dividend yield – 0%, and expected life – 2.5 years.

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

On closing, the Company paid transaction costs of $796 in cash and issued 1,138,350 broker warrant units to certain underwriters in connection with the offering. Each broker warrant unit is exercisable for one unit at an exercise price of $0.15 per share until May 4, 2023, with each unit being comprised of one Common Share and one warrant, entitling the holder to purchase one additional Common Share for $0.30 per share at any time prior to May 4, 2023. The broker warrant units were valued at $105 based on the following assumptions: share price - $0.155, annualized volatility – 103.85%, risk free interest rate – 0.41%, dividend yield – 0%, and expected life – 2.5 years. $586 of the transaction's fees were allocated towards the issuance of shares and $210 were allocated towards the issuance of the warrants.

[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 March 31, 2021, there were 10,518,768 options and 740,951 RSUs issued under the plans, with 15,986,801 available for issuance.

During the three and nine months ended March 31, 2021, the Company recorded $24 and $350, respectively (2020 - $147 and $934, respectively) 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 periods ended March 31, 2021:

	Fiscal 2021	Fiscal 2020
Risk-free interest rate	0.25% – 0.50%	1.17% - 1.64%
Expected life of options (years)	3	3
Expected annualized volatility	96% to 107%	90%
Expected dividend yield	Nil	nil
Black-Scholes value range	$0.09 - $0.17	$0.26 - $0.50
Share price range	$0.16 - $0.30	$0.45 - $0.88

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 March 31, 2021:

	Number of stock options	Weighted average exercise prices
Outstanding, June 30, 2020	8,488,060	0.65
Granted	6,222,500	0.16
Expired	(1,166,667)	0.88
Forfeited	(3,025,125)	0.28
Outstanding, March 31, 2021	10,518,768	**$0.42**
Exercisable, March 31, 2021	**4,966,296**	**$0.69**

The weighted average remaining life of the options is 1.82 years.

[c] Restricted share units

The Company uses RSUs, as well as Options, as part of the Company's overall officer 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 of Directors. In determining the amount of share-based compensation, the Company used the closing price of the common shares on the RSU grant date.

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

The following table reflects the continuity of RSUs outstanding at March 31, 2021:

	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
Granted	675,951	$0.29	
Forfeited/cancelled during period	(183,334)	$0.78	
Vested & exercised	(673,333)	$0.59	
Outstanding, March 31, 2021	**740,951**	**$0.64**	**1.75**

Time-based RSUs

As at March 31, 2021, the time-based equity award consisted of 700,951 RSUs (March 31, 2020 – 1,161,667) that will vest either annually in two or three equal tranches or quarterly over two years after the date of RSU grant. For the three and nine months ended March 31, 2021, the Company recorded $44 and $281, respectively (2020 - $135 and $599, respectively) in share-based payments expense related to these RSUs.

Performance-based RSUs

As at March 31, 2021, the performance-based equity award consisted of 40,000 RSUs (March 2020 – 95,000) 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 and nine months ended March 31, 2021, the Company recorded $3 and $16, respectively (2020 - $6 and $35, respectively) in share-based payments expense related to these RSUs.

[d] Warrant reserve

i) Share purchase warrants

The continuity of warrants outstanding is as follows:

	Number	Amount ($)
Balance at June 30, 2020	**10,569,780**	**3,843**
Warrants issued during the period	22,767,000	883
Balance at March 31, 2021	33,336,780	4,726

As of March 31, 2021, the following share purchase warrants were outstanding:

Year of Issue	Exercise Price	Expiration	Underlying Shares	Exercisable
2019	$1.72	April 2, 2024	10,569,780	10,569,780
2020	$0.30	May 4, 2023	22,767,000	22,767,000
			33,336,780	34,475,130

ii) Other warrants

On April 2, 2019, the Company issued 1,195,416 compensation options ("Commission Option") to brokers in relation to an equity financing. Each Compensation Option is exercisable for one unit of 48North ("Compensation Unit") at an exercise price of $1.36 until April 2, 2022. Each Compensation Unit is comprised of one common share and one-half of one warrant. Each full warrant allows the holder to purchase one common share at a price of $1.72 per share until April 2, 2024.

On November 4, 2020, the Company issued 1,138,350 broker warrant units to certain underwriters in connection with the offering on that date. Each broker warrant unit is exercisable for one unit at an exercise price of $0.15 per share until May 4, 2023, with each unit being comprised of one Common Share and one warrant, entitling the holder to purchase one additional Common Share for $0.30 per share at any time prior to May 4, 2023. The broker warrant units were valued at $105 and $33 transaction's fees were allocated leaving $72 recognized in warrant reserve.

In determining the warrant reserve for warrants issued for periods ended March 31, 2021, the Company used the Black-Scholes pricing model to establish the fair value of warrants granted by applying the following assumptions:

Risk-free interest rate	0.41%
Expected life of options (years)	2.5
Expected annualized volatility	104%

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

Expected dividend yield	Nil
Black-Scholes value range	$0.07 - $0.09
Share price range	$0.16

14. Revenue

For the:	**Three months ended March 31, 2021**	Three months ended March 31, 2020	**Nine months ended March 2021**	Nine months ended March 31 2020
Sale of cannabis and cannabis products	**$ 4,974**	$ 2,674	**$ 18,820**	$ 5,967
Contract manufacturing services	**312**	-	**745**	-
Other	**(93)**	-	**48**	-
Excise duties	**(1,515)**	(537)	**(4,332)**	(869)
Total net revenue	**$ 3,678**	$ 2,137	**$ 15,281**	$ 5,098

For the: Sale of Cannabis by customer type:	**Three months ended March 31, 2021**	Three months ended March 31 2020	**Nine months ended March 31 2021**	Nine months ended March 31 2020
Sales to provincial bodies				
Ontario	**$ 1,810**	$ 372	**$ 6,495**	$ 857
Quebec	**2,070**	1,163	**6,722**	2,037
Alberta	**477**	1,053	**2,814**	1,513
British Columbia	**356**	-	**2,109**	-
Manitoba	**20**	-	**144**	-
New Brunswick	-	-	**26**	-
Saskatchewan	**115**	-	**336**	-
Sales to other licenced producers	**126**	86	**174**	1,560
Revenue	**$ 4,974**	$ 2,674	**$ 18,820**	$ 5,967

15. 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:

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

For the:		Three months ended March 31, 2021		Three months ended March 31, 2020		Nine months ended March 31, 2021		Nine months ended March 31, 2020
Revenue	$	-	$	132	$	-	$	242
Cost of sales		-		82		-		151
Gross profit		-		50		-		91
Administrative Expenses								
General and administrative		-		527		-		988
Sales and marketing		-		167		-		469
Depreciation and amortization		-		12		-		24
		-		706		-		1,481
Currency translation adjustment		-		-		-		-
Net loss from discontinued operations	$	-	$	(656)	$	-	$	(1,390)
Net cash provided by operating activities	$	-	$	656	$	-	$	1,390
Cash used in investing activities	$	-	$	(656)	$	-	$	(1,390)

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

Net cash provided by operating activities	$	-	$	656	$	-	$	1,390
Cash used in investing activities	$	-	$	(656)	$	-	$	(1,390)

16. Related party transactions and balances

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

	Three months ended:				Nine months ended:			
		March 31, 2021		March 31, 2020		March 31, 2021		March 31, 2020
Consulting, salaries and wages	$	383	$	1,611	$	1,536	$	2,402
Share-based payments		66		638		479		984
Total	**$**	**449**	**$**	**2,249**	**$**	**2,015**	**$**	**3,386**

Consulting, salaries and wages of $435 (2020 - $437) is included in sales and marketing and $1,101 (2020- $1,966) is included in general and administrative. Included in accounts payable and accrued liabilities is $3 (2020 - $109) due to key management.

17. 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.

18. 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:

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

	March 31, 2021	June 30, 2020
	$	$
Financial assets (1)	**6,644**	13,061
Financial liabilities (2)	**20,212**	7,016

(1) Includes cash and cash equivalents, trade receivables, and investment
(2) Includes accounts payable, accrued liabilities, lease liabilities, and long-term debts

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. As of March 31, 2021, the majority of accounts receivable are from provincial regulators and wholesale customers with the majority of accounts being current. As of today, the Company has collected the majority of these accounts receivables due.

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 March 31, 2021, 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 March 31, 2021, 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, Receivable Purchase Agreement and the Term Loan. Due to the short-term nature of the debt, the Company believes interest rate risk is minimal.

Liquidity risk
The composition of the Company's current liabilities was as follows:

	March 31, 2021	June 30, 2020
	$	$
Trade payables	**6,791**	3,893
Accrued expenses and other liabilities	**8,017**	2,300
	14,808	6,193
Current portion of lease liabilities	**144**	131
Debts	**4,678**	-
Total current liabilities	**19,630**	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 March 31, 2021, which are expected to be payable in the following respective periods:

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

	Total	<1 year	1-3 years	3-5 years
	$	$	$	$
Accounts payable and accrued liabilities	14,808	14,808	—	—
Current portion of lease liabilities	144	144	—	—
Debts	4,678	4,678	—	—

Equity price risk

Equity price risk is the risk that the fair value of equity instruments will fluctuate due to changes in market equity prices. At March 31, 2021, the Company held Fire and Flower shares with a fair value of $293 (Note 6). The shares of Fire and Flower are actively traded on the Toronto Stock Exchange and therefore it is expected that the shares can be sold by the Company without difficulty. Due to the size of the investment, the Company believes the equity price risk is minimal.

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 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 affect the estimated fair market value of its biological assets and inventory. During Q3 2021, there were no changes to estimated fair market values relating to commodity prices.

19. Subsequent events

i) Public Offering

On April 16, 2021, the Company closed an overnight marketed public offering of units ("Units") (the "Offering") for total gross proceeds of $5,396. Pursuant to the Offering, 25,694,400 Units were sold at a price of $0.21 ("Issue Price") per Unit. The Offering was completed by a syndicate of agents co-led by Cantor Fitzgerald Canada Corporation and Cormark Securities Inc. (collectively, the "Agents"). Each Unit was comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.26 for a period of twenty four (24) months following the closing of the Offering. As consideration for their services, the Agents received a cash commission equal to 7.0% of the gross proceeds of the Offering. As additional consideration, the Company issued a total of 1,541,664 broker warrants to the Agents. Each broker warrant is exercisable into one Unit at the Issue Price for a period of twenty four (24) months following the closing of the Offering.

ii) Transaction with Hexo Corp.

On May 17, 2021, the Company announced an Arrangement Agreement with Hexo under which Hexo will acquire, by way of court-approved plan of arrangement under the *Canada Business Corporations Act*, all of the Company's issued and outstanding common shares in an all-share transaction (see Note 5 for further details).