



**48NORTH CANNABIS CORP.**

**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED JUNE 30, 2018**

**DATED AS OF MARCH 12, 2019**

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## ANNUAL INFORMATION FORM

In this annual information form (“AIF”), unless otherwise noted or the context indicates otherwise, the “Company”, “48North”, “we”, “us” and “our” refers to 48North Cannabis Corp or its subsidiaries. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards. The information contained herein is dated as of June 30, 2018, unless otherwise stated.

### FORWARD-LOOKING STATEMENTS

This AIF contains certain statements which contain “forward-looking information” and “forward-looking statements” within the meaning of applicable securities legislation (each, a “**forward-looking statement**”). No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon. Forward-looking information is by its nature prospective and requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “contemplate”, “continue”, “estimate”, “expect”, “intend”, “propose”, “might”, “may”, “will”, “shall”, “project”, “should”, “could”, “would”, “believe”, “predict”, “forecast”, “pursue”, “potential”, “capable”, “budget”, “*pro forma*” and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, among others, statements pertaining to:

- the Company’s future operating and financial results;
- the competitive and business strategies of the Company;
- whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business, continue operations, and/or pursue prospective opportunities;
- expectations regarding production costs;
- competitive conditions of the cannabis industry;
- changes in the regulatory environment, including the introduction of new provincial and federal regulatory regimes relating to recreational cannabis;
- the impact of changes in Canadian federal and provincial laws regarding medical and recreational cannabis on the Company;
- the performance of the Company’s business and operations;
- compliance with all applicable laws and regulations applicable to 48North, both in Canada and internationally, including the CSA Notice (as defined herein); and
- compliance with TSX-V policy, including the TSX-V Bulletin (as defined herein).

The forward-looking statements within this document are based on information currently available and what management believes are reasonable assumptions. Those assumptions include but are not limited to assumptions on: (i) the Company’s ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial, market, regulatory and political conditions

in which the Company operates; (iii) consumer interest in the Company's products; (iv) competition; (v) anticipated and unanticipated costs; (vi) government regulation of the Company's activities and products; (vii) timely receipt of any required regulatory approvals; (viii) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; and (ix) the Company's development plans and the timeframe for completion of such plans. Forward-looking statements speak only as of the date of this AIF. In addition, this AIF may contain forward-looking statements attributed to third party industry sources, the accuracy of which has not been verified by us.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this AIF, including, but not limited to, the following material factors:

- failure to comply with the requirements of the Company's licenses to cultivate, process and sell cannabis;
- failure to maintain the Company's licenses to cultivate, process and sell cannabis;
- share price volatility;
- any adverse change or event impacting the Facilities;
- the failure to obtain required regulatory approvals or permits;
- delays in the delivery or installation of equipment by suppliers;
- difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints;
- any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis;
- a bankruptcy, liquidation or reorganization of any of 48North's subsidiaries;
- any delays in transporting the Company's product, breach of security or loss of product;
- increased competition, including increased competition as a result of the legalization of recreational cannabis;
- amendments to laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, health and safety, privacy, the conduct of operations and the protection of the environment;
- loss of key personnel;
- the failure of the Company to effectively manage growth;

- failure to comply with all applicable laws and regulations applicable to 48North, both in Canada and internationally, including the CSA Notice; and
- failure to comply with TSX-V policy, including the TSX-V Bulletin.

Such factors are discussed in more detail under the heading “*Risk Factors*” in this AIF. New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

**The forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements and are made as of the date of this AIF. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this AIF or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.**

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF including the summary hereof. Terms and abbreviations used in the financial statements of the Company and in the appendices to this AIF are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

“**266 Ontario Inc.**” has the meaning ascribed thereto in “*Corporate Structure*”.

“**2018 Farm Bill**” has the meaning ascribed there to in “*Industry Overview - Recent Regulatory Developments in United States*”.

“**48North**” or the “**Company**” means 48North Cannabis Corp.

“**48North Share**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**48North Privateco**” has the meaning ascribed thereto in “*Corporate Structure*”.

“**ACGO**” means the Alcohol and Gaming Commission of Ontario.

“**ACMPR**” means the Access to Cannabis for Medical Purposes Regulations, Repealed, SOR/2018-147, s. 33.

“**Acquisition Agreement**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**Avitas**” has the meaning ascribed thereto in “*General Development of the Business – 2019 – Arbor Pacific Licensing Agreement*”.

“**Avitas Licensing Agreement**” has the meaning ascribed thereto in “*General Development of the Business – 2019 – Arbor Pacific Licensing Agreement*”.

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, 2002.

“**Bill C-45**” has the meaning ascribed to such term under the heading “*Risk Factors – Legalization of Recreational Cannabis.*”

“**Board**” means the board of directors of 48North.

“**Brant Outdoor Site**” means the Company’s 100 acre farm located in Brant County, Ontario, Canada.

“**Cannabis Act**” means the *Cannabis Act*, S.C. 2018, c.16.

“**Cannabis Regulations**” means the Cannabis Regulations that came into force on October 17, 2018 under the Cannabis Act.

“**Canopy**” means Canopy Growth Corporation.

“**Canopy Financing Agreement**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Canopy Growth Investment and Supply Agreement*”.

“**Canopy Warrant**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Canopy Growth Investment and Supply Agreement*”.

“**CBD**” means cannabidiol.

“**CBCA**” means the *Canada Business Corporations Act*, as amended, 1985.

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada), as amended, 1996.

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**Charter**” means the *Canadian Charter of Rights and Freedoms*, Part I of the *Constitution Act, 1982*, being Schedule B to the *Canada Act* (UK), 1982, c 11.

“**Cole Memorandum**” has the meaning ascribed thereto in “*Description of the Business – Industry Overview – Recent Regulatory Developments in the United States*”.

“**Consolidation**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**Convertible Debenture**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**Convertible Debenture Units**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**COO**” means chief operating officer.

“**Common Shares**” means common shares in the capital of the Company.

**“Compensation Option”** has the meaning ascribed thereto in *“General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing”*.

**“Compensation Unit”** has the meaning ascribed thereto in *“General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing”*.

**“Compensation Warrant”** has the meaning ascribed thereto in *“General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing”*.

**“Company”** or **“48North”** means 48North Cannabis Corp., a corporation continued under the CBCA.

**“CSA Notice”** means the CSA Staff Notice 51-352 Issuers with U.S. Marijuana Related Activities published on February 8, 2018.

**“CSLAA”** means the Cannabis Statute Law Amendment Act, 2018 (Bill 36).

**“Debenture Financing”** has the meaning ascribed thereto in *“General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing”*.

**“Debenture Warrant”** has the meaning ascribed thereto in *“General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing”*.

**“DelShen”** has the meaning ascribed to such term in *“Corporate Structure”*.

**“DelShen Cultivation License”** has the meaning ascribed thereto in *“General Development of the Business – Three Year History – 2017 and 2016”*.

**“DelShen Facility”** has the meaning ascribed thereto in *“Corporate Structure”*.

**“DelShen Holdco”** has the meaning ascribed thereto in *“Corporate Structure”*.

**“DelShen Sales License”** has the meaning ascribed thereto in *“General Development of the Business – Three Year History – 2018 – Updates to Health Canada Licenses”*.

**“Exchange”** or **“TSX-V”** means the TSX Venture Exchange.

**“Exchange Policies”** means the policies included in the TSX Venture Exchange Corporate Finance Manual and **“Exchange Policy”** means any one of them.

**“Extraction License”** has the meaning ascribed thereto in *“General Development of the Business – Three Year History – 2018 – Updates to Health Canada Licenses”*.

**“Facilities”** means, collectively, the DelShen Facility, the G&G Facility and the Brant Outdoor Site.

**“FCEN”** has the meaning ascribed thereto in *“Risk Factors – Recent Regulatory Developments in United States”*.

**“FCEN Memo”** has the meaning ascribed thereto in *“Risk Factors – Recent Regulatory Developments in United States”*.

**“FDA”** has the meaning ascribed thereto in *“Risk Factors – Recent Regulatory Developments in United States”*.



“**FDCA**” has the meaning ascribed thereto in “*Risk Factors – Recent Regulatory Developments in United States*”.

“**Filing Statement**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**G&G**” has the meaning ascribed thereto in “*Corporate Structure*”.

“**G&G License**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2018 – Updates to Health Canada Licenses*”.

“**G&G Acquisition**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2018 - G&G Acquisition and Concurrent Financing*”.

“**G&G Holdco**” has the meaning ascribed thereto in “*Corporate Structure*”.

“**G&G Holdco Concurrent Private Placement**” has the meaning ascribed there to in “*General Development of the Business – Three Year History – 2018 - G&G Acquisition and Concurrent Financing*”.

“**G&G Facility**” has the meaning ascribed thereto in “*Corporate Structure*”.

“**G&G Processing License**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2019 – G&G Processing License*”.

“**GMP**” means Good Manufacturing Practice.

“**Initial Unit Financing**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2017/2016*”

“**Initial Unit Warrants**” means the common share purchase warrants issued in connection with the Initial Unit Financing, entitling each holder thereof to acquire one Common Share at an exercise price of \$0.75 at any time until December 6, 2020.

“**IT**” has the meaning ascribed thereto in “*Risk Factors.*”

“**Licenses**” has the meaning ascribed to such term in “*General Development of the Business – Three Year History – 2017 and 2016*”.

“**Licensed Producer**” has the meaning ascribed thereto under the ACMPR.

“**MC Licensing Agreement**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2018 - Licensing Agreement with Mother & Clone*”.

“**MMAR**” means the *Marihuana Medical Access Regulations* (Canada), as amended.

“**MMPR**” means the *Marihuana for Medical Purposes Regulations* (Canada), as amended.

“**Mother & Clone**” means Mother & Clone, Inc.

“**NCR**” means the *Narcotics Control Regulations* (Canada), as amended.

“**NLC**” means the Newfoundland and Labrador Liquor Corp.

“**OCS**” means the Ontario Cannabis Store.

“**Option**” has the meaning ascribed thereto in “*Description of Securities – Stock Option Plan*”.

“**Person**” means a company or individual.

“**Promoter**” means a promoter as prescribed by applicable securities laws.

“**Private Placement**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2019 – Private Placement Financing*”.

“**Quebec Supply Agreement**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2019 – Supply Agreement for Brant Outdoor Site*”.

“**Regulations**” has the meaning ascribed thereto in “*Description of the Business – Industry Overview - Regulatory Framework of Medical and Recreational Cannabis in Canada under the Cannabis Act*”.

“**RTO**” has the meaning ascribed thereto in “*Corporate Structure*”.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval, having a website address at [www.sedar.com](http://www.sedar.com).

“**Sessions Memorandum**” has the meaning ascribed thereto in “*Description of the Business – Industry Overview – Recent Regulatory Developments in the United States*”.

“**SQDC**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2019 – Supply Agreement for Brant Outdoor Site*”.

“**Stock Option Plan**” has the meaning ascribed thereto in “*Description of Securities - Stock Option Plan*”.

“**Supplemental Warrant Indenture**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**Supply Agreement**” has the meaning ascribed there to in “*General Development of the Business – 2018 – Canopy Growth Investment and Supply Agreement*”.

“**Task Force**” has the meaning ascribed thereto in “*Risk Factors - Risks Relating to the Medical Cannabis Industry – Competition*”.

“**THC**” means tetrahydrocannabinol.

“**TSX**” means the Toronto Stock Exchange.

“**TSX-V**” means the TSX Venture Exchange.

“**TSX-V Bulletin**” means the bulletin entitled “*Business Activities Related to Marijuana in the United States*” released on October 16, 2017.

“**Underwriter**” means Eight Capital.

“**Underwriting Agreement**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

“**Unit**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Private Placement Financing*”.

“**Unit Warrant**” has the meaning ascribed thereto in “*General Development of the Business – Three Year History – 2019 – Private Placemen Financing*”.

“**Warrant**” has the meaning ascribed thereto in “*General Development of the Business– Three Year History*”.

“**Warrant Indenture**” has the meaning ascribed thereto in “*General Development of the Business – 2018 – Qualifying Transaction and Debenture Financing*”.

## CORPORATE STRUCTURE

48North is a vertically integrated Canadian cannabis company servicing the Canadian medical and recreational cannabis markets. The Company is based in Toronto, Ontario, Canada and the Company’s Common Shares are listed under the symbol “NORTH” on the TSX-V. The head and registered office of the Company is located at 243 Queen Street West, Suite 200, Toronto, Ontario, Canada, M5V 1Z4.

48North Cannabis Corp. (formerly Kramer Capital Corp.) has two wholly owned subsidiaries, 48North DelShen Holdco Ltd. (“**DelShen Holdco**”) and Good & Green Cannabis Corp. (“**G&G Holdco**”).

The Company primarily operates its cannabis business through two, indirect, wholly-owned subsidiaries, DelShen Therapeutics Corp. (“**DelShen**”) and 2599760 Ontario Corp. (d/b/a Good & Green) (“**G&G**”). DelShen is licensed to produce, sell and extract cannabis pursuant to the Cannabis Act at DelShen’s indoor cannabis production facility (“**DelShen Facility**”), located in Kirkland Lake, Ontario. G&G is licensed to produce cannabis pursuant to the Cannabis Act at G&G’s indoor cannabis production facility (“**G&G Facility**”), located in Brantford, Ontario.

The Company was incorporated under the laws of Alberta on October 29, 2010. The principal business of the Company at that time was to identify and evaluate business or assets with a view to completing a “Qualifying Transaction” as such term is defined under relevant policies of the TSX-V.

On June 5, 2018, the Company completed its Qualifying Transaction on the TSX-V (“**RTO**”) through the acquisition of 100% of the issued and outstanding securities of 2558107 Ontario Inc., (doing business as 48North Cannabis Corp.) (“**48North Privateco**”), by way of a “three-cornered” statutory amalgamation among the Company, 48North Privateco and 2622752 Ontario Inc., a wholly-owned subsidiary of the Company incorporated to facilitate the RTO. The RTO was a Reverse Takeover and Change of Business Transaction on the TSX-V.

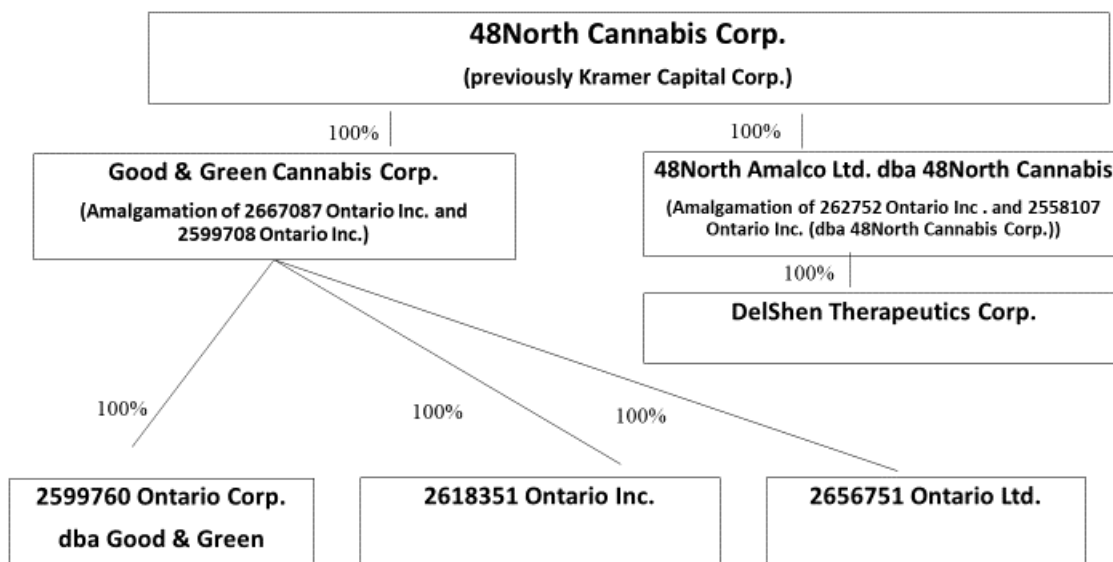
In connection with the RTO, the Company filed a Notice of Alteration on June 4, 2018, changing its name from “Kramer Capital Corp.” to “48North Cannabis Corp.”, and Articles of Continuance on June 6, 2018, continuing the Company under the *Canada Business Corporations Act* (“**CBCA**”).

On November 23, 2018, the Company incorporated 2667087 Ontario Inc. (“**266 Ontario Inc.**”) in order to carry out the G&G Acquisition (defined below). Following the completion of the G&G Acquisition, G&G Holdco became a wholly owned subsidiary of the Company.

G&G Holdco owns 100% of the issued and outstanding shares of G&G, a licensee under the Cannabis Act. In addition, G&G Holdco owns 100% of the issued and outstanding shares of 2618351 Ontario Inc. and

2656751 Ontario Ltd. 2618351 Ontario Inc. owns the G&G Facility and 2656751 Ontario Ltd. owns the Brant Outdoor Site (defined below).

The following diagram illustrates the corporate structure and provides the name, the percentage of voting securities owned, directly or indirectly, by the Company and the jurisdiction of incorporation, continuance or formation of the Company's subsidiaries.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

2019

#### G&G Processing License

On March 11, 2019, the Company announced that G&G received a standard processing license (“**G&G Processing License**”) from Health Canada. The G&G Processing License will enable G&G to extract and process its sun-grown organic cannabis for cannabis products at the Brant Outdoor Site, pending additional approvals from Health Canada.

#### Arbor Pacific Licensing Agreement

On March 6, 2019, the Company announced that it had entered into an exclusive licensing agreement with U.S.-based Arbor Pacific Inc. to bring its premium brand Avitas (“**Avitas**”) to Canadian consumers (“**Avitas Licensing Agreement**”). Under the terms of the Avitas Licensing Agreement, 48North will license Avitas’ intellectual property and manufacturing techniques for domestic consumption in Canada, and for global export from Canada. 48North will be the exclusive Canadian producer of all present and future Avitas products.

Avitas develops 100% additive free, single strain, ultra-refined and purified, vaporizer cartridges. Avitas single strain vaporizer cartridges are available in over 500 stores in Washington, Oregon and Colorado.

### Launch of Cannabis Accessories Brand and New Retail Supply Agreements

On February 19, 2019, the Company announced the launch of its cannabis accessories brand, F8, and retail supply agreements with the Ontario Cannabis Store (“**OCS**”), Ontario’s sole legal online retailer and wholesaler for recreational cannabis and Tokyo Smoke for F8 products. F8 is wholly owned by the Company and is an accessories line that offers aesthetic and functional cannabis products. F8 currently has two products available: a grinder made of 100% solid brass, weighing over 2 pounds, made and designed in Canada, and a pipe that is 100% porcelain, designed in Canada, that serves a dual-purpose as an incense burner.

F8 products will be exclusively available online at OCS and at physical Tokyo Smoke retail locations across Canada and online.

### Private Placement Financing

On February 6, 2019, the Company announced the closing of its \$10,000,000 multi-tranche private placement (“**Private Placement**”). Following the completion of a \$3,000,000 strategic investment from Canopy Growth Corporation (discussed below), the Company closed on an additional \$7,045,000 from a leading US-based private investment fund.

Under the Private Placement, the US-based private investment fund received 9,393,333 units (“**Units**”) of the Company at \$0.75 per Unit. Each Unit is comprised of one Common Share and one quarter of one common share purchase warrant (each, a “**Unit Warrant**”). Each full Unit Warrant entitles the holder to acquire one Common Share of 48North for a period of 12 months from the date of issue at an exercise price of \$1.15, subject to acceleration in certain circumstances.

48North and the leading US-based private investment fund have entered into an agreement that provides the holder a right to require the Company to repurchase its Common Shares at the Company’s 5-day VWAP if certain provisions concerning confidentiality and restrictions against unlawful U.S. operations are breached by 48North.

The proceeds of the Private Placement are expected to be used to support the continued expansion of the Company, including the development of the Brant Outdoor Site and large-scale extraction capabilities to increase 2019 production and facilitate the development of next-generation cannabis products.

### Supply Agreement for Brant Outdoor Site

On February 22, 2019 the Company entered into Canada’s first ever supply agreement for outdoor grown cannabis with the Société Québécoise du Cannabis (“**SQDC**”), Quebec’s sole legal retailer of recreational cannabis (“**Quebec Supply Agreement**”).

### Progress on Outdoor Site Application

On January 24, 2019, the Company submitted its site evidence package to Health Canada in connection with its license application for the Company’s 100-acre outdoor farm in Brant County, Ontario (“**Brant Outdoor Site**”). Pending approval from Health Canada, 48North anticipates being able to cultivate and process up to 40,000 kg of dried organic cannabis, from over 3.7 million sq. feet. The operational costs of the farm are fully-funded and are projected to be significantly less than the production costs of the G&G Facility and the DelShen Facility.

### Launch of Latitude Platform

During July 2018, the Company launched Latitude, an interactive, omni-channel that empowers women to connect, engage and share their personal stories with cannabis and learn about cannabis as a wellness tool. Latitude exists as a book, a website, a newsletter and storytelling events, and has a social media platform through Instagram.

2018

### Canopy Growth Investment and Supply Agreement

On December 3, 2018, the Company announced that it had entered into two agreements with Canopy Growth Corporation (“**Canopy**”), a strategic investment financing agreement (“**Canopy Financing Agreement**”) and a partnership and supply agreement (“**Supply Agreement**”).

Under the Supply Agreement, 48North will supply Canopy with dried cannabis produced from high-grade, unique genetics, grown at the DelShen Facility. The total volume of the Supply Agreement is estimated to be a minimum of 1,200 kilograms and deliverable over the course of 12 months. The first 100-kilogram transfer under the Supply Agreement was shipped from 48North’s DelShen facility to Canopy in December 2018.

Under the Canopy Financing Agreement, Canopy invested \$3 million into 48North and received 4,000,000 Units. The Units issued to Canopy have the same terms as those issued in the Private Placement, with the exception of the repurchase right for the Common Shares described above. The Canopy Financing Agreement was the first tranche of the Private Placement.

### G&G Acquisition

On December 2, 2018, the Company completed the previously announced acquisition of all of the issued and outstanding shares of G&G Holdco by way of a three-cornered statutory amalgamation between G&G Holdco (formerly, 2599708 Ontario Inc.) and 266 Ontario Inc. (“**G&G Acquisition**”). As consideration for the G&G Acquisition, the Company issued former shareholders of G&G Holdco \$18,000,000 worth of Common Shares, or 24,567,534 Common Shares, at a deemed price of \$0.73 per Common Share.

With the G&G Acquisition, the Company acquired, among, other things: (i) G&G, a wholly owned subsidiary of G&G Holdco and a Licensed Producer of cannabis under the Cannabis Act; (ii) the G&G Facility, providing for an additional 46,000 square feet of licensed indoor cultivation and manufacturing facility in Brantford, Ontario; and, (iii) the Brant Outdoor Site. Following completion of the G&G Acquisition, Jeannette Vandermarel was appointed co-CEO and joined the board of directors of the Company.

G&G’s mission is to develop high-quality, consistent and homogenous organic cannabis and cannabis products that are free from chemicals and pesticides.

### Licensing Agreement with Mother & Clone

On September 25, 2018, the Company announced that it had entered into a licensing agreement with Mother & Clone, Inc. (“**Mother & Clone**”), a Colorado-based company producing proprietary cannabis water-based sublingual nanosprays (a form of measured microdosing) for rapid absorption under the tongue.

The Canadian production and sale of Mother & Clone products are expected to commence once next generation cannabis products are allowed, which is expected to be on or about October 17, 2019 and after the Company receives its Health Canada license amendment permitting the sale of cannabis oil, and other applicable regulatory approvals.

Under the terms of the licensing agreement dated September 4, 2018 (“**MC Licensing Agreement**”), 48North will license Mother & Clone’s intellectual property and manufacturing techniques for domestic consumption in Canada, and for global export from Canada. 48North will be the exclusive Canadian producer of all present and future Mother & Clone products. Mother & Clone will earn a licensing fee of ten per cent gross profit on all Canadian and international sales.

#### Updates to Health Canada Licenses

On October 12, 2018, G&G was granted its initial cultivation license by Health Canada pursuant to the ACMPR (“**G&G License**”). The G&G License expires on October 12, 2021 and permits cultivation of cannabis at the G&G Facility. G&G subsequently received the G&G Processing License, as described above.

On September 14, 2018, DelShen was granted a supplemental license from Health Canada for the extraction and production of cannabis oils (“**Extraction License**”).

On June 22, 2018, DelShen was granted an amendment to its cultivation license to permit the sale of dried cannabis, cannabis plants and cannabis seeds to registered medical clients, other Licensed Producers, and other authorized persons (“**DelShen Sales License**”).

#### RTO and Debenture Financing

On June 11, 2018, the Common Shares commenced trading on the TSX-V under the symbol “NRTH”.

On June 5, 2018, the Company announced that it had completed its previously announced RTO, pursuant to which it acquired all of the issued and outstanding shares of 48North Privateco by way of a “three-cornered” statutory amalgamation among the Company, 48North Privateco and 2622752 Ontario Inc., a wholly-owned subsidiary of the Company. The RTO was carried out pursuant to the terms and conditions of an acquisition agreement among the Company, 48NorthPrivateCo and 2622752 Ontario Inc. dated February 28, 2018 (“**Acquisition Agreement**”). Following completion of the RTO, the Company began to carry the medical cannabis business of 48North Privateco.

Immediately prior to the closing of the RTO, the Company completed a consolidation of its Common Shares (“**Consolidation**”) on the basis of two (2) pre-Consolidation Common Shares to one (1) post-Consolidation Common Share, changed its name from “Kramer Capital Corp.” to “48North Cannabis Corp.”, and continued from the *Business Corporations Act* (British Columbia) (“**BCBCA**”) under the CBCA.

The RTO constituted a Qualifying Transaction within the meaning of the TSX-V policies. In connection with the RTO, the Company filed a filing statement with the TSX-V dated May 28, 2018 (“**Filing Statement**”).

Upon closing of the RTO, former shareholders of 48North Privateco collectively owned 98.9% of the Common Shares.

In connection with the RTO, the Company, 48North Privateco and Eight Capital (“**Underwriter**”) entered into an underwriting agreement dated January 26, 2018, (“**Underwriting Agreement**”) whereby the

Underwriter agreed to act as sole underwriter to the Company to arrange for a sale of 16,010 convertible debenture units (“**Convertible Debenture Units**”) at a price of \$1,000 per Convertible Debenture Unit for aggregate gross proceeds of \$16,010,000 (“**Debenture Financing**”).

Each Convertible Debenture Unit was comprised of one convertible debenture with a principal amount of \$1,000 (each a “**Convertible Debenture**”) and 556 common share purchase warrants (each a “**Debenture Warrant**”).

Immediately prior to the completion of the RTO, the Convertible Debentures automatically converted into one common share in the capital of 48North Privateco (each a “**48North Share**”) at a price of \$0.90 per 48North Share, with such 48North Shares then being exchanged for Common Shares with the completion of the RTO on a 1:1 basis. Each Debenture Warrant entitles the holder thereof to acquire one Common Share at a price of \$1.15 for a period of 24 months following the completion of the RTO. The Debenture Warrants are governed by the terms of a warrant indenture dated January 26, 2018 (“**Warrant Indenture**”) and a supplemental warrant indenture dated June 5, 2018 (“**Supplemental Warrant Indenture**”) between the Company and TSX Trust Company, as warrant agent.

As consideration for its services in connection the Debenture Financing, the Underwriter received a cash commission of approximately 7% of the aggregate gross proceeds of the Debenture Financing and 1,245,222 compensation options (each, a “**Compensation Option**”). Each Compensation Option is exercisable to purchase one unit of 48North (each, a “**Compensation Unit**”) at an exercise price of \$0.90 until the date that is 24 months following the completion of the RTO, with each Compensation Unit being comprised of one Common Share and one-half of one common share purchase warrant (each full common share purchase warrant, a “**Compensation Warrant**”).

#### *2017 and 2016*

The principal business of the Company during this time was to identify and evaluate businesses or assets with a view towards completing a Qualifying Transaction. There were no significant developments to the Company’s operations or business during this period. The following sets out some important developments and milestones for 48North Privateco over the course of 2016 and 2017:

- December 29, 2017: 48North Privateco signed a letter of intent with the Company in respect of the RTO;
- November 22, 2017: DelShen completed the harvest of its initial crops and applied for the DelShen Sales License;
- November 16, 2017: DelShen imported 6,650 cannabis seeds from Maripharm B.V. in the Netherlands.
- June 30, 2017: The Company completed construction on the 40,000 square foot DelShen Facility, with approximately 23,000 square feet of cannabis production and processing space, and commenced its first harvest of cannabis crops; and
- February 28, 2017: DelShen was granted its initial license from Health Canada pursuant to the ACMPR, permitting the cultivation of medical cannabis at the DelShen Facility (“**DelShen Cultivation License**”) and together with the DelShen Sales License and the G&G License the “**Licenses**”).



- December 2, 2016: 48North Privateco completed a unit financing, issuing 18,636,864 units for aggregate gross proceeds of \$10,250,000 (“**Initial Unit Financing**”).

## **DESCRIPTION OF THE BUSINESS**

### **General**

48North is a vertically integrated cannabis company focused on the production and sale of medical and recreational cannabis and cannabis-based health and wellness products, including dried flowers, oils, cannabis accessories and next-generation products and brands. The Company’s business is conducted through its wholly owned operating subsidiaries, DelShen and G&G Holdco.

### **Facilities**

#### *DelShen Facility*

The DelShen Facility is located on 800 acres of owned land near Kirkland Lake, Ontario, and is comprised of approximately 40,000 sq. feet of indoor cannabis production, processing space and office space. Management believes that the DelShen Facility has sufficient power and water to support expanded production operations. 48North’s approach to production is to develop unique genetics grown to exacting standards, ensuring patients can count on receiving the highest quality cannabis products.

Cannabis production commenced at the DelShen Facility on June 30, 2017, and DelShen harvested initial crops in November 2017.

The Company anticipates production capacity in 2019 to be approximately 2,500 kg of dried cannabis.

#### *G&G Facility*

The G&G Facility is located in an industrial area in Brantford, Ontario, and is comprised of approximately 46,000 sq. feet of indoor cannabis production, processing space and office space, as well as 25,000 sq. feet of available space to support pre/post farm production, extraction, labs and manufacturing.

Management believes that the G&G Facility has sufficient power and water to support expanded production operations. The G&G Facility is set up for Good Manufacturing Practices, and the Company anticipates receiving an organic production certification from Ecocert.

The Company anticipates production capacity in 2019 to be approximately 2,500 kg of dried cannabis.

#### *Brant Outdoor Site*

The Brant Outdoor Site is 100-acre farm located in Brant County, approximately 15 minutes away from the G&G Facility.

48North was the first company in Canada to apply for a cultivation license with Health Canada to permit an outdoor cannabis grow. The Company expects production to commence in June 2019, and anticipates production capacity of up to 40,000 kg of premium, sun-grown, organic cannabis for retail and next generation products. Production will be focused on environmentally friendly and energy efficient cannabis cultivation methods. The Company anticipates receiving an organic production certification from Ecocert.

On February 22, 2019 the Company entered into Canada's first ever outdoor supply agreement with the SQDC, Quebec's sole legal retailer of recreational cannabis.

## **Licenses**

### *DelShen Licenses*

DelShen received the DelShen Cultivation License for the DelShen Facility from Health Canada on February 28, 2017. The DelShen Cultivation License expires on February 26, 2021. On June 22, 2018, DelShen received the DelShen Sales License for the DelShen Facility. The DelShen Sales License expires on February 26, 2021. On September 13, 2018, DelShen received the Extraction License.

### *G&G Licenses*

G&G received the G&G License for the G&G Facility from Health Canada on October 12, 2018. The G&G License expires on October 12, 2021. G&G commenced cannabis production at the G&G Facility in October 2018 and harvested initial crops in January 2019. As of February 2019, the initial crops had been submitted for third party lab testing and the results sent to Health Canada.

On March 11, 2019, G&G received the G&G Processing License from Health Canada. The G&G Processing License will enable G&G to extract and process its sun-grown organic cannabis for next-generation cannabis products at the Brant Outdoor Site, pending additional approvals from Health Canada.

In October 2018, G&G applied for an outdoor grow cultivation license with respect to the Brant Outdoor Site. On January 24, 2019, the Company submitted its site evidence package to Health Canada in connection with its application.

### *Transition of Licenses under the Cannabis Act; Current Licenses*

On October 17, 2018, the Cannabis Act and its accompanying regulations, which provided for Canada's national legalization of recreational cannabis, including much of the provincial and territorial legislation enabled thereunder, came into effect. Pursuant to the transitional provisions of the Cannabis Regulations, all licenses issued under the ACMPR prior to October 17, 2018, (including the Licenses) were deemed equivalent licenses under the Cannabis Act, subject to complying with certain administrative transition requirements involving the CTLS. For additional information regarding the CTLS, please see "*Description of the Business – Industry Overview – Regulatory Framework of Medical and Recreational Cannabis in Canada under the Cannabis Act – Cannabis Tracking and Licensing System*" for more information.

Consequently, the Licenses were, upon legalization, deemed to be licenses under the Cannabis Act.

DelShen holds the following licenses under the Cannabis Act:

- (a) a standard cultivation license;
- (b) a standard processing license; and
- (c) a sale license for medical purposes.

G&G holds the following licenses under the Cannabis Act:

- (a) a standard cultivation license; and

- (b) a standard processing license.

Under the Cannabis Regulations, standard cultivation licenses authorize holders to: (i) possess cannabis; (ii) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis; (iii) obtain cannabis by altering its chemical or physical properties by any means for the purposes of testing; and (iv) sell cannabis to prescribed parties.

Standard processing licenses authorize holders to: (i) possess cannabis; (ii) produce cannabis, other than obtain it by cultivating, propagating or harvesting it (i.e., produce cannabis oil and other cannabis-infused products by means other than cultivation); and (iii) sell cannabis to prescribed parties.

Sale licenses for medical purposes authorize holders to: (i) possess cannabis products; and (ii) sell cannabis products to prescribed parties. Unlike all other licensees under the Cannabis Act, holders of sale licenses for medical purposes can sell cannabis products to registered patients in accordance with Part 14 of the Cannabis Regulations entitled “Access to Cannabis for Medical Purposes”.

## **Principal Markets**

### *Canada*

The core market for the cannabis business of the Company is Canada.

The Company believes that the market for the Company’s products is growing and Health Canada has issued a limited number of licenses under the Cannabis Act to produce and sell medical and recreational cannabis. As of March 12, 2019 there are 157 Licensed Producers approved by Health Canada. The Company expects significant competition from other companies operating under the Cannabis Act as more entrants become licensed to produce and sell cannabis. While the Company expects a high level of competition in the Canadian recreational marketplace, management expects the Company to leverage its strengths in relation to quality products, strong brand differentiation, and development of low-cost, high-quality, next-generation products to compete for such opportunities.

As the demand for cannabis increases, the Company believes that new competitors will continue to attempt to enter the market. Additionally, Health Canada may accelerate its processing of applications which may result in an acceleration in the rate at which applicants become Licensed Producers. The Company believes that, due to the complex regulatory environment and significant capital requirements for facilities and operations, the Company will have an early-mover advantage. The Company’s existing footprint and planned capital investments in infrastructure are expected to allow the Company to operate competitively on the basis of the high quality of its cannabis products, and low cost of production. Management expects that this will allow the Company to achieve sustainable margins in an increasingly competitive market.

According to a recent study by Deloitte, the total cannabis market in Canada is expected to generate up to \$7.17 billion in sales in 2019 (such figure including medical, illegal, and legal recreational products). \$4.34 billion is expected to come from the legal recreational market, with consumption through legal channels increasing by up to 35%. Medical cannabis is anticipated to generate an additional \$0.77 billion to \$1.79 billion in sales.<sup>1</sup>

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<sup>1</sup> <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/consulting/ca-cannabis-2018-report-en.PDF>

According to Health Canada data provided as of January 29, 2019, in the first three months of recreational sales under the Cannabis Act, 15,060 kg. of dried cannabis and 5,408 litres of cannabis oil were sold.<sup>2</sup>

### *International*

Cannabis opportunities are developing globally as other jurisdictions move towards establishing medical and/or recreational cannabis systems. As Canada has developed an early regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community. The Company may from time to time pursue opportunities in a number of jurisdictions where medical and/or recreational cannabis is legally allowed by all levels of government presently, or where the government is actively moving towards such a legal framework. The Company will only conduct business in jurisdictions outside of Canada where such operations remain compliant with the Company's Canadian regulatory obligations.

The Company expects that it will compete with other companies for international opportunities, and in certain circumstances, with foreign companies that have more experience, more in-depth knowledge of local markets or applicable laws, regulations and guidelines or longer operating histories in such jurisdictions. However, the Company expects to leverage its strengths in relation to quality products, strong brand differentiation, and development of low-cost, high-quality, next-generation products to compete for such opportunities.

The Company does not engage in any U.S. marijuana-related activities as defined in CSA Notice. To the extent that the Company pursues international expansion, it will only conduct business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and applicable Canadian regulatory and stock exchange requirements. See "*Industry Overview – CSA Staff Notice 51-352 (Revised) Regarding Issuers with U.S. Marijuana-Related Activities*".

### **Distribution**

The Company will distribute recreational cannabis products in accordance with the finalized regulatory framework in relation to cannabis for recreational purposes in Canada. The Company will also distribute medical and/or recreational cannabis products internationally in accordance with all applicable domestic and international laws and regulations.

Should the Company's have registered patients, then they would be able to order products through the Company's online shop. Medical cannabis is and will continue to be delivered by secured courier or other methods permitted by the Cannabis Act or future regulation.

48North has entered into the Quebec Supply Agreement to supply cannabis for the adult consumer market and may enter into additional supply agreements in the future. Under the terms of these current and prospective agreements, 48North will supply product from its facilities. Supply quantities will be determined based on demand on an ongoing basis.

The Company has also entered into a supply agreement with Canopy, one of the world's largest cannabis companies. Under the terms of the Supply Agreement, 48North will supply Canopy with dried cannabis produced from high-grade, unique genetics, grown at the DelShen Facility. The total volume of the Supply Agreement is estimated to be a minimum of 1,200 kilograms and deliverable over the course of 12 months.

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<sup>2</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/licensed-producers/market-data/supply-demand.html#fn1>

The first 100-kilogram transfer under the Supply Agreement was shipped from 48North's DelShen facility to Canopy in December 2018.

## **Products and Services**

The Company operates through its wholly owned subsidiary, DelShen, which is the holder of the DelShen Cultivation License, the Extraction License and the DelShen Sales License, and G&G, which is the holder of the G&G License and the G&G Processing License. Under the terms of the Licenses, 48North may cultivate cannabis at the DelShen Facility and the G&G Facility. 48North has acquired and may continue to acquire sativa, indica and hybrid strains of cannabis through legal sources within Canada and abroad. 48North's products are derived from these strains and hybrid strains it creates from these plants.

The Company grows unique genetics sourced from MariPharm B.V., a Netherlands based phytopharmaceutical company with over 25 years of experience in the research and cultivation of cannabis for medical purposes. The genetics are grown to exacting standards at the DelShen Facility and the G&G Facility.

48North, through DelShen, is also permitted to sell its medical cannabis products to permitted persons under Part 14 of the Cannabis Regulations. Once registered as a patient with DelShen and successful delivery of a valid medical document completed by a health care practitioner (as defined in Part 14 of the Cannabis Regulations), a registered patient can place orders for approved and available cannabis products in any available manner, subject to all prescribed limitations in the Cannabis Regulations. Following successful placement of an order, the requested cannabis products are sent to the patient through registered mail to his or her home address. To date, the Company has not sold medical cannabis to patients.

As at June 30, 2018, the Company had no revenues from the sale of medical cannabis. During Q1 of fiscal 2019, the Company began selling cannabis to other Licensed Producers. On December 3, 2018, the Company entered into the Supply Agreement. Under the Supply Agreement, 48North will supply Canopy with dried cannabis produced from high-grade, unique genetics, grown at the DelShen Facility. The total volume of the Supply Agreement is estimated to be a minimum of 1,200 kilograms and is deliverable over the course of 12 months. The first 100-kilogram transfer under the Supply Agreement was shipped from the DelShen Facility to Canopy in December 2018.

On February 19, 2019, the Company announced the launch of its cannabis accessories brand, F8, and retail supply agreements with the OCS for F8 products. F8 products, including a grinder made of 100% solid brass and a pipe that is 100% porcelain will be available online at OCS. On February 22, 2019, the Company entered into the Quebec Supply Agreement for the supply of outdoor grown cannabis to the SQDC.

48North continues to invest significant time, effort, capital and resources in activities related to the Canadian recreational cannabis market. These investments cover the Company's entire business operations including cultivation, production, marketing, sales and general administration. With the roll out of the recreational market on October 17, 2018, the Company believes the selling of its cannabis production to other licensees under the Cannabis Act, as well as selling accessories through the OCS and dried cannabis through the SQDC will provide the Company with substantially all of its revenues until ancillary product offerings, such as edibles, cosmetics, and health and wellness products can be sold into the Canadian market.

### *New Product Development*

The Company intends to, subject to applicable regulatory approvals, bring a variety of cannabis-based products to market. Such products are at various stages of development, including edible products and

inhalable products. These products will need to become permitted under the Cannabis Act (if not already) and approved by Health Canada before they can be offered. No assurance can be given that the Company will succeed in bringing any of these products to market. See “*Risk Factors – Risks Relating to the Medical and Recreational Cannabis Industry*” for more information.

On February 19, 2019, the Company announced the launch of its cannabis accessories brand, F8, and retail supply agreements with OCS and Tokyo Smoke for F8 products. F8 is an accessories line that offers aesthetic and functional cannabis products. F8 currently has two products available: a grinder made of 100% solid brass, weighing over 2 pounds, made and designed in Canada, and a pipe that is 100% porcelain, designed in Canada, that serves a dual-purpose as an incense burner.

F8 products will be exclusively available online at OCS and at physical Tokyo Smoke retail locations across Canada and online.

Under the terms of the MC Licensing Agreement, 48North will license Mother & Clone’s intellectual property and manufacturing techniques for domestic consumption in Canada, and for global export from Canada. 48North will be the exclusive Canadian Licensed Producer of all present and future Mother & Clone products.

#### *Sources and Availability of Production Inputs*

Pursuant to the Cannabis Act, 48North may only procure genetics from legal sources, such as another licensee under the Cannabis Act. As such, the availability of genetic materials may be limited as a result of the limited number of sources from which it may be procured.

There are no seasonal limitations on 48North’s DelShen Facility and G&G Facility operations, however the Brant Outdoor Site would be restricted to growing during certain periods of the year when weather permits. See “*Risk Factors – Risks Relating to the Medical and Recreational Cannabis Industry*” for more information.

It is a policy of the Company that it will not invest, directly or indirectly, in any business that derives revenue from the sale of cannabis or cannabis products in the United States or in any other jurisdiction where the sale of cannabis is federally unlawful.

#### *Branding and Advertising*

Licensees are required to comply with general prohibitions against cannabis advertising under the Cannabis Act, including restrictions on promotional messaging. As such, investments in branding and other marketing activities may have limited effect on consumer perception of 48North’s products. See “*Risk Factors – Risks Relating to the Medical and Recreational Cannabis Industry*” for more information.

The following are the principal brands of the Company:



A vertically integrated cannabis company focused on health and wellness, 48North cultivates, extracts and produces next-generation products and brands.



Good & Green is equally committed to social responsibility and the development of high-quality, consistent, and homogeneous organic cannabis and cannabis products. Good & Green combines its disciplined approach and strong passion for organic production, free from chemicals and pesticides, to reliably deliver premium cannabis products.



Latitude is an interactive, omni-channel that empowers women to connect, engage and share their personal stories with cannabis. Latitude exists as a book, a website, a newsletter and storytelling events.



F8 accessories exist to connect and deepen people's relationship with the objects that inhabit their everyday world. F8 believes design should be purposeful, versatile and stimulating, crafted with lasting style that inspires individual exploration and expression.

**MOTHER & CLONE** Mother & Clone offers strain-specific sublingual products for absorption under the tongue.

#### *Joint Venture and Licensing Opportunities*

48North may from time to time enter into joint venture and licensing agreements (to the extent it has not already done so) with established contract manufacturers and consumer packaged goods companies to create joint ventures in multiple product categories, such as food, beverage, cosmetics and skincare. These partnerships will allow 48North to license patents and unique formulations to produce products under internationally recognized brands, as well as contract manufacture for other licensees under the Cannabis Act.

#### *Economic or Political Conditions Affecting 48North's Business*

The medical and recreational cannabis industry in Canada is highly regulated and evolving rapidly. Significant changes to the regulatory landscape could materially impact the Company's operations. While the Company monitors and evaluates the regulatory landscape in which it operates for compliance with applicable laws and regulations, unforeseen adverse changes to the Cannabis Act or the Cannabis Regulations could negatively impact the Company's performance. The implementation of the business plans discussed under this heading are subject to a number of uncertainties, including regulatory approval, market demand and other variables. There can be no assurance that the business plans will be completed, or completed substantially in the manner disclosed herein. See "Description of the Business – Industry Overview" and "Risk Factors – Risks Relating to the Medical and Recreational Cannabis Industry" for more information.

## Industry Overview

### *Regulatory Framework of Medical and Recreational Cannabis in Canada under the Cannabis Act*

Until October 17, 2018, when the federal Cannabis Act, including all federal regulations (such as the Cannabis Regulations) came into force, cannabis was only legally available in Canada for medical use. The medical cannabis regime was regulated federally pursuant to the CDSA and ACMPR. The ACMPR regulated the production, sale and distribution of cannabis and cannabis oil extracts for medical purposes in Canada. The ACMPR provided for three possible options for Canadian residents who had been authorized by their health care practitioners to access cannabis for medical purposes:

- to access quality-controlled cannabis by registering with a Licensed Producer;
- to register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials (including marijuana seeds and plants) must be purchased from a Licensed Producer); or
- to designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials (such as marijuana seeds and plants) had to be purchased from a Licensed Producer).

Key milestones of progress on legalization of recreational cannabis included the following:

- In its December 2015 “Speech from the Throne”, the Government of Canada reaffirmed its intent to “legalize, regulate, and restrict access to marihuana.”
- On April 20, 2016, the Government of Canada announced its intention to introduce, by the spring of 2017, legislation to legalize the recreational use of marihuana in Canada.
- On June 30, 2016, Health Canada announced the creation of a task force on cannabis legalization and regulation (“**Task Force**”). The Task Force consisted of high-level experts in the fields of law enforcement, medicine, policy creation and health care administration. The Task Force’s objectives were to consult with governments, industry, the public and all other relevant stakeholders in order to provide advice on the design of a new legislative and regulatory framework to the ministers.
- On August 24, 2016, the *Marihuana for Medical Purposes Regulations* (Canada) (“**MMPR**”) was repealed and the ACMPR came into force. Health Canada stated in the August 2016 publication titled “Understanding the New Access to Cannabis for Medical Purposes Regulations” that the ACMPR is designed to provide an immediate solution required to address the Federal Court of Canada’s judgement.
- On November 30, 2016, the Task Force published its final report titled: “A Framework for the Legalization and Regulation of Cannabis in Canada.” In the final report, the Task Force recommended that the Government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system. The Task Force also recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for recreational purposes with the following conditions: (i) a limit of four plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable



security measures to prevent theft and youth access; and (v) oversight and approval by local authorities.

- On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, which proposed the enactment of the Cannabis Act to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45. On June 20, 2018, the Senate approved Bill C-45 and the Cannabis Act received Royal Assent on June 21, 2018.
- On November 22, 2017, Health Canada released for public consultation its proposed approach to the regulation of cannabis. The purpose of the consultation paper was to solicit public feedback on an initial set of regulatory proposals that Health Canada was considering, focused on the regulations that would facilitate the coming into force of the proposed Cannabis Act. Health Canada's consultation addressed licensing, security requirements for producers and their facilities, product standards, labelling and packaging, and the proposed cannabis tracking system. It also addressed cannabis for medical purposes and health products containing cannabis. Health Canada proposed a risk-based approach to regulation, balancing the protection of health and safety of Canadians while enabling a competitive legal industry made up of large and small enterprises in all regions of Canada producing quality-controlled cannabis. The regulatory proposals outlined in the consultation paper were made for consultation purposes only, and should not be interpreted as representing the final views of the Governor in Council, the Minister, or the Government of Canada. The consultations were open until January 20, 2018.
- On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations, the new *Industrial Hemp Regulations* (Canada) (together with the Cannabis Regulations, the "**Regulations**"), along with proposed amendments to the NCR and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licenses that can be granted, and set standards for cannabis and hemp products that became available for legal sale as of October 17, 2018. The ACMPR and the prior *Industrial Hemp Regulations* (Canada) were no longer in force as of October 17, 2018, and were supplanted by the Cannabis Act and the Regulations. Once the Cannabis Act came into force, cannabis was no longer regulated under the CDSA and instead became regulated under the Cannabis Act.

#### *Licenses, Permits and Authorizations*

On October 17, 2018, the Cannabis Act and the Regulations came into effect and now govern the licensing process. Per a Health Canada notice dated June 27, 2018, the process for transitioning an ACMPR application into an application under the new Cannabis Act is a two-stage process with intermediate steps within each stage. According to Health Canada, companies currently in the application queue will retain their position in the process following this transition.

The Cannabis Regulations establish six classes of licenses:

- Cultivation licenses;
- Processing licenses;

- Analytical testing licenses;
- Sales for medical purposes licenses;
- Research licenses; and
- Cannabis drug licenses.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, microcultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Producers holding production and sale licenses under the ACMPR will be transferred to similar licenses under the Cannabis Act.

Licenses issued pursuant to the Cannabis Regulations will be valid for a period of no more than five years. The Cannabis Regulations will permit cultivation-license-holders to conduct both outdoor and indoor cultivation of cannabis. A holder of a license must only conduct authorized activities (except for destruction, antimicrobial treatment and distribution) at the location set out in the license. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically lower than those associated with indoor growing.

#### *Security Clearances*

Certain people associated with cannabis licensees, including individuals occupying a “key position” such as directors, officers, large shareholders and individuals identified by the Minister of Health (“**Minister**”), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or in association with, drug trafficking, corruption or violent offences. This was largely the approach in place previously under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded by legislation from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

In addition, the Cannabis Regulations expand the ACMPR security clearance requirements to include:

- any “responsible person”, “head of security”, “master grower”, “quality assurance person”, or alternates for these positions;
- any partners of a partnership that hold a license; and
- any individuals who exercise - or are in a position to exercise - direct control over a corporate or cooperative license-holder, including all:
  - directors and officers of the individual, if a corporation;
  - partners of the individual, if a partnership; and,

- directors and officers of the individual if it is a corporate partner in a partnership.

### *Cannabis Tracking and Licensing System*

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. The Cannabis Regulations provide the Minister with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. Accordingly, the Minister has introduced the CTLS. License-holders are required to use the CTLS to submit monthly reports to the Minister, among other things, pursuant to the *Cannabis Tracking System Order*, SOR/2018-178.

### *Cannabis Products*

At the retail level, the Cannabis Regulations permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited but are expected to be permitted by October 2019.

The Cannabis Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Cannabis Regulations include vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

### *Packaging and Labelling*

The Cannabis Regulations require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The Cannabis Regulations further require mandatory health warnings, a standardized cannabis symbol and specific product information. The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

### *Cannabis for Medical Purposes*

Part 14 of the Cannabis Regulations entitled “Access to Cannabis for Medical Purposes” sets out the regime for medical cannabis following legalization, which remains substantively the same as previously existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for recreational use, improve patient access, and reduce the risk of abuse within the medical access system. The sale of medical cannabis remains federally regulated and in each case, sales can only be made by an entity that holds a license to sell under the Cannabis Regulations to patients that have a medical document and have registered with the licensed entity. Just as with the medical cannabis regime under the ACMPR, under the Cannabis Regulations, customer (patients) need to obtain a medical document (i.e., prescription) from their doctor and then register as a client with a cannabis company that has a license to sell (the registration is only good for up to a year). The client can then order from the cannabis company online or via telephone and the cannabis will be shipped directly to the client (to a maximum 150 grams per month).

Under the ACMPR regime, medical cannabis was sold online by Licensed Producers only. This did not change on October 17, 2018, with the introduction of the Cannabis Act and Cannabis Regulations. Users of medical cannabis, of course, may elect to purchase cannabis from retailers of recreational cannabis. The

Federal government intends to review the medical cannabis system in five years to determine if the introduction of retail cannabis sales has had an impact on the demand for medical cannabis.

#### *Health Products and Cosmetics Containing Cannabis*

Health Canada has taken a scientific, evidence-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Cannabis Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, are permitted and subject to provisions of the Cannabis Act.

#### *Provincial and Territorial Regulatory Regimes*

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions.

Each of these Canadian jurisdictions has established a minimum age of 19 years for cannabis use, except for Quebec and Alberta, where the minimum age is 18.

**British Columbia:** On May 31, 2018, the Government of British Columbia passed the *Cannabis Control and Licensing Act* (British Columbia), the *Cannabis Distribution Act* (British Columbia), and issued the *Private Retail Licensing Guide* to regulate the recreational cannabis industry in the province. The Province's Liquor Distribution Branch will be the only wholesale distributor of recreational cannabis and will operate cannabis retail stores. They will also be responsible for licensing and monitoring private, recreational cannabis stores.

**Ontario:** On August 13, 2018, the Ontario government introduced a new regulated private retail model for cannabis in Ontario by way of the *Cannabis Statute Law Amendment Act, 2018* (Bill 36) ("CSLAA"), which received Royal Assent on October 17, 2018. It emphasizes three public policy objectives: to implement a safe, legal system for cannabis that will protect consumers, to undermine the illegal market, and to protect public safety. The CSLAA does the following: (i) it amends the *Cannabis Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017*, the *Liquor Control Act*, the *Smoke-Free Ontario Act, 2017*, the *Highway Traffic Act*, and other related statutes; and (ii) it enacts the *Cannabis License Act, 2018*, which establishes the licensing system for Ontario's private retail stores that is administered by the Alcohol and Gaming Commission of Ontario ("AGCO"). On December 13, 2018, the Ontario government announced that, until December 13, 2019, the AGCO would only grant 25 retail operator licenses and retail sale authorizations to prospective retailers across five regions, with the intention of having private retail stores open and operational by April 1, 2019. The 25 permitted retailers, as well as the prospective retailers placed on the waiting list, would be selected using a lottery system. The lottery selection was completed on January 11, 2019 and 25 winners, along with certain waitlisted persons, were announced. Between October 17, 2018, and the date on which Ontario's private retail stores become operational, the Ontario Cannabis Retail Corporation is the only authorized vendor of recreational cannabis in the province by way of online sales through the Ontario Cannabis Store website.

**Alberta:** The Government of Alberta has a cannabis framework providing for the purchase of cannabis products from private retailers that will receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Under the *Gaming, Liquor and Cannabis Act*, only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

**Saskatchewan:** The Government of Saskatchewan announced that recreational cannabis will be sold by private retailers. Under the *Cannabis Control (Saskatchewan) Act* (Bill 121), the Saskatchewan Liquor and Gaming Authority will issue 51 permits to private stores located in roughly 40 municipalities and First Nation communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

**Manitoba:** The Government of Manitoba has a “hybrid model” for cannabis distribution. The supply of cannabis in the Province of Manitoba is secured and tracked by the MLLC; however, licensed private retail stores are permitted to sell recreational cannabis. This process was open until December 22, 2017, with retail stores having opened as early as October 17, 2018.

**Quebec:** The Government of Quebec passed its Cannabis law, Bill 157. Bill 157 sets the legal age for cannabis consumption in the province at 18 years of age. All recreational marijuana is managed and sold by Société québécoise du cannabis outlets and are available for sale online, the entire process controlled by the Société des alcools du Québec.

**Newfoundland and Labrador:** In May 2018, Newfoundland and Labrador introduced legislation relating to the legalization of cannabis including the *Cannabis Control Act* whereby recreational cannabis is sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (“NLC”), overseeing the distribution to private sellers who may sell to consumers. Pursuant to the *Cannabis Control Act*, the NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licenses may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

**Nova Scotia:** Bill 108, *Cannabis Control Act* received royal assent on April 18, 2018, and establishes the licensing system for the retail sale of recreational cannabis. The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only sold publicly through government-operated storefronts and online sales.

**New Brunswick:** Under the *Cannabis Control Act*, the Cannabis Management Corporation controls and oversees the sale of recreational cannabis in New Brunswick. Retail sales, whether in stores or online, are exclusively through Cannabis NB, a subsidiary under the control of the New Brunswick Liquor Corporation.

**Prince Edward Island:** Similar to Nova Scotia and New Brunswick, under the *Cannabis Management Corporation Act*, the sale of recreational cannabis is controlled and supervised by the Cannabis Management Corporation, which operates retail stores and online sales.

**Yukon:** Under the *Cannabis Control and Regulation Act*, the distribution and sale of recreational cannabis is limited to government outlets and government-run online stores, and allows for the later licensing of private retailers.

**Nunavut:** The *Nunavut Cannabis Act* establishes the licensing system for the retail sale of recreational cannabis. The Nunavut legislation contemplates the sale of cannabis through both public and licensed private retail stores and online. Sales will initially only be through the Liquor and Cannabis Commission

and its agent. Under the *Nunavut Cannabis Act*, a person can submit an application for a license to operate a cannabis store, remote sales store, or cannabis lounge. This application process will not be in place until 2019.

**Northwest Territories:** The *Cannabis Legalization and Regulation Implementation Act* governs the distribution and sale of recreational cannabis which relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

#### *Recent Regulatory Developments in United States*

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act, in the United States, cannabis is regulated at the federal and state level. To the Company's knowledge, there are to date a total of 33 states, plus the District of Columbia, Puerto Rico, the Northern Mariana Islands and Guam, that have legalized cannabis in some form as of the date of this AIF. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis continues to be categorized as a Schedule I controlled substance under the U.S. Controlled Substances Act ("CSA"), making it illegal under federal law in the United States to cultivate, distribute, or possess cannabis. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant to it are paramount, and in case of conflict between federal and state law, the federal law shall apply.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General James Cole authored a memorandum ("**Cole Memorandum**"), addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several U.S. states have enacted laws relating to cannabis.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum ("**Sessions Memorandum**") that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and therefore it is uncertain how active federal prosecutors will be in relation to such activities. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Please refer to “Risk Factors” for further discussion.

On January 15, 2019, U.S. Attorney General nominee William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan or any other service could be found guilty of money laundering or conspiracy. Despite these laws, in February 2014, the Financial Crimes Enforcement Network (“**FCEN**”) of the Treasury Department issued a memorandum (“**FCEN Memo**”) providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Please refer to “*Risk Factors*” for further discussion.

On December 20, 2018 the Agricultural Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law by President Trump. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabidiols, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the 2018 Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The U.S. Department of Agriculture has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the Department of Agriculture to review and approve any state-promulgated regulations relating to industrial hemp. Until such time as the Department of Agriculture approves a state’s industrial hemp regulations, commercial sale of industrial hemp may not be permissible. The timing of such Department of Agriculture regulations cannot be assured. Further, under the 2018 Farm Bill, the United States Food and Drug Administration (“**FDA**”) has retained authority over the addition of CBD to products that fall within the Food, Drug and Cosmetics Act (“**FDCA**”). There can be no assurance that the FDA will approve CBD as an additive to products under

the FDCA. Additionally, the 2018 Farm Bill does not legalize CBD derived from “marihuana” (as such term is defined in the CSA), which is and will remain a Schedule I controlled substance under the CSA.

#### *TSX-V Policy Regarding Business Activities Related to Marijuana in the United States*

On October 16, 2017, the TSX-V released a bulletin entitled “*Business Activities Related to Marijuana in the United States*” (“**TSX-V Bulletin**”). Pursuant to the TSX-V Bulletin, the TSX-V indicated that it considers marijuana-related activities in the United States to be a violation of TSX-V policy due to the U.S. federal prohibition on marijuana. Specifically, issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSX-V’s Listing Requirements (“**Listing Requirements**”). These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSX-V reminded issuers that, it has the discretion to initiate a delisting review if it discovers that issuer has violated any of the Listing Requirements.

The Company has partnered with U.S. based cannabis companies that develop and license intellectual property and copyright branding, but do not engage in ‘plant-touching’ activities. For the reasons set forth above, it is possible that the Company’s licensing agreements in the United States may become subject to heightened scrutiny by the TSX-V. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to partner with companies in the United States. See “*Risk Factors – TSX-V Restrictions on Business*” for more information.

#### *CSA Staff Notice 51-352 (Revised) Regarding Issuers with U.S. Marijuana-Related Activities*

On February 8, 2018, the Canadian Securities Administrators revised their previously released the CSA Notice setting out their disclosure expectations on the risks faced by issuers with cannabis-related activities in the United States. In particular, the CSA Notice confirmed that a disclosure-based approach remains appropriate for such issues, and provided guidance on disclosure expectations for issuers with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties. See “*Risk Factors – Interests in Ancillary Businesses in the United States Cannabis Industry*” for more information.

### **Specialized Skills and Knowledge; Employees**

The cultivation of cannabis is a specialized skill. 48North has retained personnel with specialized knowledge and experience in the cultivation of cannabis in a highly regulated environment. 48North draws on the specialized knowledge and expertise of its personnel in its operations to produce medical cannabis in compliance with its Licenses.

48North had 32 salaried employees and 24 hourly employees as well as 2 consultants as at March 1, 2019.

### **Competitive Environment**

The markets for medical and recreational cannabis products appear to be sizable and Health Canada has only issued a limited number of licenses under the former ACMPR regime and the new Cannabis Act regime. The number of licenses issued could have an impact on the operations of 48North. Because of the early stage of the industry in which 48North operates, 48North expects to face additional competition from new entrants. According to Health Canada, as of March 1, 2019 there were 154 licensees under the Cannabis Act, and as of September 30, 2018 there were 342,103 patients registered, under the ACMPR to possess



and consume dried cannabis for medicinal purposes in Canada. If the number of users of medical and recreational cannabis in Canada increases, the demand for products will increase and 48North expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. 48North expects significant competition from other companies applying for licenses that may have significantly greater financial, technical, marketing and other resources, which may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

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

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of 48North. See *"Risk Factors – Competition"* for more information.

#### *Market Projections*

The size of the cannabis industry in Canada is currently estimated to be \$1.4 billion (Cowen and Company, Happy Hour Handbook). By 2025, the size of the Canadian cannabis industry is forecasted to be approximately \$12.16 billion, which would put the cannabis market on par with the size of the Canadian beer and tobacco markets (Cowen and Company, Happy Hour Handbook). Going forward, the Company anticipates that the Canadian cannabis industry will see an increase in investments from pharmaceutical, tobacco and alcohol companies as it matures. In addition, the Company anticipates that the Canadian cannabis sector will consolidate as a result of an increase in mergers and acquisitions in the industry. The Company also expects that with the legalization of recreational adult use of cannabis in Canada which occurred on October 17, 2018, a supply-demand imbalance will exist which will create opportunities for growth for companies involved in cannabis sector. Finally, the Company believes that the Canadian industry will see an increase of and reliance on supply and retail distribution agreements and that extracted products will eventually become subject to government regulation.

The size of the cannabis industry in the United States continues to grow while facing challenges in the current regulatory environment. Despite regulatory uncertainty, research estimates suggest significant long-term potential for the cannabis industry in the United States. In 2018, the size of the U.S. cannabis sector is estimated to be approximately US\$9 billion to US\$10 billion (Eight Capital (2018) What's Going on Down There? A \$63 B Market Cannot be Ignored). By 2030, the size of the U.S. cannabis market is projected to be approximately US\$63 billion (Eight Capital (2018) What's Going on Down There? A \$63 B Market Cannot be Ignored). Going forward, the Company expects that the U.S. cannabis industry will continue to be subject to state legislation, with additional states regulating the medical and recreational use of cannabis. In November 2018, Congress passed the Farm Bill which included the legalization of hemp which will change how hemp and hemp-derived products like cannabidiol ("CBD") are regulated in the U.S., which is expected to be regulated by the USDA. Despite the uncertain regulatory environment, the Company expects that public offerings of U.S. cannabis issuers will continue. Finally, similar to Canada, the Company expects that the US cannabis market will consolidate as a result of an increase in mergers and acquisitions in the industry.

## **Intellectual Property & Intangible Property**

48North protects its intellectual property by seeking and obtaining registered protection (inclusive of patents) where possible in its continuing effort to protect and create value. Below is a description of the steps 48North has taken to protect intellectual property in Canada.

### *Patents*

None.

### *Trademarks*

As of the date of this AIF, G&G has applied for and registered the following trademarks in Canada:

<b>Trademark</b>	<b>Description</b>
<b>CANADA</b>	
48North	Filed as trademark app. no. 1929709 on November 19, 2018
48North Logo	Filed as trademark app. no. 1929710 on November 19, 2018
Latitude	Filed as trademark app. no. 192711 on November 19, 2018
Latitude Design	Filed as trademark app. no. 192712 on November 19, 2018
Head Well North	Filed as trademark app. no. 1932483 on December 3, 2018
Explore Your Latitude	Filed as trademark app. no. 1932486 on December 3, 2018
Good & Green	Filed as trademark app. no. 191764 on May 30, 2018
G&G	Filed as trademark app. no. 191763 on May 30, 2018

## **RISK FACTORS**

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

### **General Business Risk and Liability**

Given the nature of 48North's business, it may from time to time be subject to claims or complaints from investors or others in the ordinary course of business. The legal risks facing the company, its directors, officers, employees or agents in this respect include potential liability for violations of securities law, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary

duty could result in civil liability, fines, sanctions, or the suspension or revocation of 48North's right to carry on its existing business. 48North may incur significant costs in connection with such potential liabilities.

#### *Reliance on Licenses*

The continuation and development of 48North's business of growing, storing and distributing medical and recreational cannabis is dependent on the good standing of the Licenses and any other permits or approvals required to engage in such activities and upon adhering to all regulatory requirements related to such activities.

Failure to comply with the requirements of the Licenses or any failure to maintain the Licenses would have a material adverse impact on the business, financial condition and operating results of 48North. Although 48North believes it will meet the requirements of the Cannabis Act and Cannabis Regulations for future extensions or renewals of the Licenses, there can be no guarantee that Health Canada will extend or renew the Licenses or that, if extended or renewed, the Licenses will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licenses or should it renew the Licenses on different terms, the business, financial condition and results of the operation of 48North would be materially and adversely affected.

#### *Volatile Market Price for Common Shares*

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

- actual or anticipated fluctuations in 48North's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which 48North operates;
- addition or departure of 48North's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting 48North's industry generally and its business and operations;
- announcements of developments and other material events by 48North or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;

- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving 48North or its competitors;
- operating and share price performance of other companies that investors deem comparable to 48North or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in 48North's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of cannabis-producing and cannabis-related companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if 48North's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, 48North's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

#### *Reliance on the Facilities*

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

#### *Expansion of Facilities*

Any expansion of the Facilities are subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond 48North's control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, 48North may not be able to achieve the intended economic benefits from any expansion of operations at existing facilities, which in turn may affect 48North's business, prospects, financial condition and results of operations.

#### *Holding Company Status*

48North is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. 48North conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. 48North's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to 48North. The ability of 48North's subsidiaries to pay dividends and other distributions depends on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In

the event of a bankruptcy, liquidation or reorganization of any of 48North's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to 48North.

#### *Limited Operating History*

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

#### *History of Net Losses*

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

#### *Unfavorable Publicity or Consumer Perception*

The success of the medical and recreational cannabis industries may be significantly influenced by the public's perception of cannabis' medicinal and recreational applications. Medicinal and recreational cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favourable. The medical and recreational cannabis industries are early-stage businesses that are constantly evolving with no guarantee of viability. The markets for medical and recreational cannabis are uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical and recreational cannabis may have a material adverse effect on 48North's (and 48North's subsidiaries') operational results, consumer base and financial results.

#### *Third Party Transportation*

48North relies on third party transportation services to deliver its products to Canopy in accordance with the Supply Agreement. 48North is exposed to the inherent risks associated with relying on third party transportation services providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on 48North's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect 48North's status as a licensee under the Cannabis Act.

#### *Interests in Ancillary Businesses in the United States Cannabis Industry*

48North does not engage in any U.S. marijuana-related activities as defined in the CSA Notice. While the Company has partnered with U.S.-based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

48North will only conduct business activities related to growing or processing cannabis, in jurisdictions where it is federally legal to do so. 48North believes that conducting activities which are federally-illegal, or investing in companies which do, puts the company at risk of prosecution, puts at risk its ability to operate freely, and potentially could jeopardize its listing on major exchanges now and in the future, limiting access to capital from large and reputable global funds.

Nevertheless, 48North's partnerships in the U.S. cannabis industry may later fall into the CSA Notice definition of U.S. marijuana-related activities as a result of the global cannabis industry's ever-evolving legal landscape.

### *Management of Growth*

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

### *Acquisition Strategy Risks*

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

### *Reliance on Management*

The success of 48North is dependent upon the ability, expertise, judgment, discretion and good faith of senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on 48North's business, operating results or financial condition.

### *Intellectual Property*

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses, however, may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

### *Conflicts of Interest*

Certain directors and officers of 48North are also, or may become, directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the Company. Consequently, there is a risk that such officers or directors will be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the CBCA.

In addition, 48North's directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, 48North's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to 48North. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to 48North.

### *Dividends*

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

### *Limited Market for Securities*

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

### *Liquidity Risk*

48North's ability to remain liquid over the long term may depend on its ability to obtain additional financing. 48North has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. 48North's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

### *Litigation*

48North may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources

and cause 48North to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and 48North could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

While 48North has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact 48North's business, operating results or financial condition.

#### *Political and Economic Instability*

48North may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect 48North's business. Additionally, as legalization of cannabis occurs in markets outside of Canada, including, but not limited to, the United States, the Company may be subject to enhanced competition from foreign cannabis producers, which could adversely impact the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The impact of these factors cannot be accurately predicted.

#### *Global Economy Risk*

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. 48North will be dependent upon the capital markets to raise additional financing in the future, while it executes on its business plans. As such, 48North is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact 48North's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to 48North and its management. If uncertain market conditions persist, 48North's ability to raise capital could be jeopardized, which could have an adverse impact on 48North's operations and the trading price of the Common Shares.

### **Risks Relating to the Medical and Recreational Cannabis Industries**

#### *Regulatory Risks*

48North operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

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

48North will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to 48North's operations, increased compliance costs or may give



rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of 48North.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond 48North's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce 48North's earnings and could make future capital investments or 48North's operations uneconomic. The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

#### *Environmental and Employee Health and Safety Regulations*

48North's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. 48North will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on 48North's manufacturing operations. Changes in environmental, employee health and safety, or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to current operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of 48North.

#### *Governmental Regulation*

The business and activities of the Company are heavily regulated. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of medical marijuana, and also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

To the knowledge of management, the Company is currently in compliance under the Cannabis Act. Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on its licences to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that there are changes to the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way it may have a material adverse effect on our business, financial condition and results of operations.

With the Cannabis Act now in effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational adult-use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company. For example, the Provinces of Québec, New Brunswick, Nova Scotia, Prince Edward Island and the Northwest Territories have announced sales and distribution models that would create government-controlled monopolies over the legal retail and distribution of cannabis for adult use purposes in such provinces, which could limit the Company's opportunities in those provinces. While Ontario had previously committed to a government-regulated model for distribution, on September 27, 2018, the Government of Ontario introduced Bill-36, An Act to enact a new Act and make amendments

to various other Acts respecting the use and sale of cannabis and vapour products in Ontario (“**Bill-36**”). Bill-36 will, inter alia, enact the *Cannabis Licence Act*, 2018, which will create a licensing scheme for private cannabis retail stores. The Ontario Cannabis Retail Company will have the exclusive right to: (a) sell cannabis in Ontario online; and (b) sell cannabis in Ontario to a holder of a retail store authorization for the purposes of resale. The Government of Ontario has indicated that the private retail model will launch by April 1, 2019 with the Ontario Cannabis Retail Company offering online sales of recreational cannabis in the interim.

#### *Changes in Laws, Regulations and Guidelines*

48North’s operations are subject not only to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, but also to regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment in the jurisdictions in which they operate. Changes to such laws, regulations and guidelines, including changes related to government taxes and levies, may materially and adversely affect 48North’s businesses, financial conditions and results of operations. For more information on recent changes to the regulatory framework of medicinal and recreational cannabis in Canada, see “*Description of the Business – Industry Overview*” for more information.

#### *Restrictions on Sales and Marketing*

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

#### *TSX-V Restrictions on Business*

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

#### *Competition*

The markets for the medical and recreational cannabis products appear to be sizable and Health Canada has only issued a limited number of licenses under the former ACMPR regime and the new Cannabis Act regime to produce and sell medical and recreational cannabis. There are several hundred existing applicants for licenses in queue. The number of licenses issued could have an impact on the operations of 48North. Because of the early stage of the industry in which 48North operates, 48North expects to face additional competition from new entrants. According to Health Canada, as of the date hereof there were 154 licensees under the Cannabis Act. If the number of users of medical and recreational cannabis in Canada increases, the demand for products will increase and 48North expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. 48North expects significant competition from other companies applying for production licenses that may have significantly greater financial, technical, marketing and other resources, which may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

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

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of 48North.

#### *Risks Inherent in an Agriculture Business*

48North's business involves the growing of medical and recreational cannabis, which are agricultural products. As such, the business is subject to the risks inherent in the agricultural business, including pests, plant diseases and similar agricultural risks. While 48North grows its products in a climate controlled, monitored, indoor location at the DelShen Facility and the G&G Facility, there is no guarantee that changes in outside weather and climate will not have a material adverse effect on 48North's ability to cultivate cannabis.

#### *Weather and Other Conditions*

48North has submitted an application to Health Canada to grow cannabis outdoors at the Brant Outdoor Site. Like other agricultural products, the quality of cannabis grown outdoors is affected by weather and the environment, which can change the quality or size of the harvest. If a weather event is particularly severe, such as a major drought or hurricane, the affected harvest could be destroyed or damaged to an extent that it would be less desirable to the Company's customers, which would result in a reduction in revenues. If such an event is also widespread, it could affect the Company's ability to acquire the quantity of products required by customers. In addition, other items can affect the marketability of cannabis grown outdoors, including, among other things, the presence of: non-cannabis related material; genetically modified organisms; and excess residues of pesticides, fungicides and herbicides.

A significant event impacting the condition or quality of a large amount of any of the cannabis plants the Company buys could make it difficult for the Company to sell such cannabis or to fill customers' orders. In addition, in the event of climate change, adverse weather patterns could develop in the growing regions in which the Company purchases cannabis plants. Such adverse weather patterns could result in more permanent disruptions in the quality and size of the available crop, which could adversely affect the Company's business.

#### *Vulnerability to Rising Energy Costs*

48North's cannabis-growing operations consume considerable energy, making 48North vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of 48North and its ability to operate profitably.

#### *Product Liability*

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, 48North faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if its products are

alleged to have caused loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of 48North's products alone or in combination with other medications or substances could occur. 48North may be subject to various product liability claims, including that 48North's products caused death, injury, illness, or other loss. A product liability claim or regulatory action against 48North could result in increased costs, adversely affect 48North's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of 48North.

There can be no assurance that 48North will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms could prevent or inhibit the commercialization of 48North's products.

### *Product Recalls*

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects (such as contamination, unintended harmful side effects or interactions with other substances), packaging safety and inadequate or inaccurate labeling disclosure. If any of 48North's products are recalled due to an alleged product defect or for any other reason, 48North could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. 48North may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distracted from day to day operations.

### *Operating Risk and Insurance Coverage*

48North maintains insurance to protect its assets, operations and employees. While 48North believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which 48North may be exposed. 48North may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. 48North might also become subject to liability for pollution or other hazards which may not be insured against or which 48North may elect not to insure against because of premium costs or other reasons. Losses from these events may cause 48North to incur significant costs that could have a material adverse effect upon 48North's financial performance and results of operations.

### *Results From Future Clinical Research*

Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of CBD and THC. Although 48North believes that the articles, reports and studies support its beliefs regarding the therapeutic benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, investors should not place undue reliance on such articles, reports and studies. Future research studies and clinical trials may draw opposing or negative conclusions regarding the facts and perceptions related to cannabis, which could have a material adverse effect on the demand for 48North's products with the potential to lead to a material adverse effect on 48North's business, financial condition, results of operations or prospects.

### *Reliance on Skilled Workers and Equipment*

The ability of the Company to compete and grow cannabis will be dependent on it having access to, at a reasonable cost and in a timely manner, skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company may be significantly greater than anticipated by management, and may be greater than funds available, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the operations and financial results of the Company.

### *Co-Investment Risk*

48North may decide to invest with certain strategic investors and/or other third parties through joint ventures or other entities. These parties may have different interests or superior rights to those of 48North. Although it is the general intent of 48North to retain control and superior rights associated with its investments, under certain circumstances, it may be possible that 48North relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In those cases where 48North does maintain a control position with respect to its investments, 48North's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of 48North, or may be in a position to take (or block) action in a manner contrary to 48North's objectives. 48North may also, in certain circumstances, be liable for the actions of its third party partners or co-investors.

### *Regulatory or Agency Proceedings, Investigations and Audits*

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operation.

### *Ability to Establish and Maintain Bank Accounts*

While 48North does not anticipate any banking restrictions at this time, there is a risk that banking institutions may not accept payments related to the cannabis industry. Such risks could increase costs for 48North. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that 48North may be required to seek alternative payment solutions, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in cryptocurrency, 48North would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. 48North's inability to manage such risks may adversely affect 48North's operations and financial performance.

### *Information Technology Systems and Cyber-Attacks*

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology (“IT”) services in connection with its operations. The Company’s operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company’s operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company’s reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company’s risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

### *Difficulty to Forecast & Reliability of Data*

48North must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of 48North.

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

### *Competition from Synthetic Production and Technological Advances*

The pharmaceutical industry may attempt to dominate the cannabis industry through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of 48North to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

### *Fraudulent or Illegal Activity by Employees, Contractors, and Consultants*

The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates government regulations, manufacturing standards, federal and provincial healthcare fraud and abuse laws and

regulations; or laws that require the true, complete, and accurate reporting of financial information or data. The precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against 48North, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on 48North's business, including the imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits, and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

## DESCRIPTION OF THE SECURITIES

### 48North Common Shares

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As of the date of this AIF, 125,921,381 Common Shares were issued and outstanding.

Holders of Common Shares are entitled to receive notice of and to vote at every meeting of 48North shareholders. Each Common Share entitles the holder thereof to one vote per Common Share at all meetings of shareholders. In the event of liquidation, dissolution, or winding-up of the Company or upon any distribution of the assets of the Company among 48North shareholders (other than by way of dividend), the 48North shareholders are entitled to share equally in any such distribution.

The holders of Common Shares are entitled to dividends if and when declared by the Board. To date, the Company has not paid any dividends on its outstanding Common Shares. The future payment of dividends will be dependent upon the financial requirements of the Company to fund further growth, financial condition of the Company and other factors that the Board may consider in the circumstances. It is not contemplated that any dividends will be paid in the near term.

### Stock Option Plan

Shareholders of the Company approved the Stock Option Plan on March 7, 2018 and an increase to the number of Options (defined herein) available for issuance under the Stock Option Plan, on January 7, 2019. Under the Stock Option Plan, the Board is authorized to grant to directors, officers, employees and consultants of the Company and its affiliates, non-transferable options to purchase Common Shares (each an "**Option**"). Unless the Board determines otherwise and subject to any accelerated termination in accordance with the Stock Option Plan, each Option shall expire by the tenth anniversary of the date on which it was granted. The number of Common Shares reserved for issuance under the Stock Option Plan may not exceed 20% of the total issued and outstanding Common Shares at the date of the applicable grant of Options. Options vest and become exercisable by a holder at such time or times as may be determined by the Board. The Board may, in its discretion, accelerate the date upon which any Option vests and becomes exercisable. No unvested Options may be exercised.

A copy of the Stock Option Plan is included as Schedule "C" to the Management Information Circular dated December 11, 2018, filed and available on SEDAR at [www.sedar.com](http://www.sedar.com).

As of the date of this AIF, the Company had 14,890,000 outstanding Options at exercise prices ranging from \$0.05 to \$1.00. Of those Options, 10,473,333 have vested.

## Warrants and Other Convertible Securities

As at the date of this AIF, the following convertible securities are outstanding:

- 2,348,333 Unit Warrants. Each Unit Warrant is exercisable into one Common Share at an exercise price of \$1.15 until February 5, 2020, subject to acceleration in certain circumstances. See “*General Development of the Business — 2018 – G&G Acquisition and Concurrent Financing*” for more information.
- 1,000,000 Unit Warrants. Each Unit Warrant is exercisable into one Common Share at an exercise price of \$1.15 until November 30, 2019, subject to acceleration in certain circumstances. See “*General Development of the Business — 2018 – G&G Acquisition and Concurrent Financing*” for more information.
- 8,223,240 Debenture Warrants. Each Debenture Warrant is exercisable into one Common Share at an exercise price of \$1.15 until June 5, 2020. See “*General Development of the Business – 2019 – Private Placement Financing*” and “*General Development of the Business – 2018 – G&G Acquisition and Concurrent Financing*” for more information.
- 604,833 Compensation Warrants. Each Compensation Warrant is exercisable into one Common Share at an exercise price of \$1.15 until June 5, 2020. See “*General Development of the Business — 2018 – G&G Acquisition and Concurrent Financing*” for more information.
- 18,536,366 Initial Unit Warrants. Each Initial Unit Warrant is exercisable into one Common Share at an exercise price of \$0.75 until December 2, 2020, subject to acceleration in certain circumstances. See “*Prior Sales*” for more information.

## Restricted Share Unit Plan

The Company’s restricted share unit plan (“**RSU Plan**”) was adopted by Board on November 22, 2018 and subsequently approved by the shareholders of the Company at the annual and special meeting of shareholders, held on January 7, 2019. A copy of the RSU Plan is included as Schedule “B” to the Management Information Circular dated December 11, 2018, filed and available on SEDAR at [www.sedar.com](http://www.sedar.com).

As of the date of this AIF, the Company had 3,290,000 RSUs outstanding.

## DIVIDENDS

There are no restrictions in the constating documents of the Company, and it is not currently expected that there will exist such restriction elsewhere, which could prevent the Company from paying dividends. However, the Company has not paid any dividends to date on the Common Shares.

As of the date of this AIF, the Company does not intend to declare dividends on the Common Shares in the near future. Any decision to pay dividends on the Common Shares in the future will be at the discretion of Board and will depend on, among other things, the Company’s results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant. No assurances in relation to the payment of dividends can be given.



## MARKET FOR SECURITIES

The Common Shares of the Company are listed on the Exchange under the symbol “NRTH”. The Common Shares were halted on December 29, 2017, and did not resume trading until June 11, 2018, following the completion of the RTO.

The following table sets out the high and low trading prices and aggregate volumes of trading of Common Shares on a monthly basis for each month, or part month, where applicable, for the year ended June 30, 2018, and for the period July 2018 to February 2019.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Close (\$)</b>	<b>Volume Traded</b>
July, 2017	0.250	0.200	0.250	56,000
August, 2017	0.180	0.180	0.180	4,000
September, 2017	-	-	-	-
October, 2017	-	-	-	-
November, 2017	0.210	0.210	0.210	4,000
December, 2017 <sup>(1)</sup>	-	-	-	-
January, 2018	-	-	-	-
February, 2018	-	-	-	-
March, 2018	-	-	-	-
April, 2018	-	-	-	-
May, 2018	-	-	-	-
June, 2018	1.30	0.84	0.88	17,053,382
July, 2018	0.93	0.62	0.65	2,833,319
August, 2018	0.81	0.60	0.68	4,601,694
September, 2018	0.86	0.66	0.68	13,698,651
October, 2018	0.72	0.45	0.50	11,327,405
November, 2018	0.64	0.47	0.48	5,813,054
December, 2018	0.74	0.50	0.62	15,139,984
January, 2019	0.73	0.55	0.69	11,511,473
February, 2019	1.12	0.65	1.05	32,020,898

### Notes:

- (1) The Common Shares were halted on December 29, 2017, and did not resume trading until June 11, 2018, following the completion of the RTO. The closing price of the Common Shares on the Exchange on December 29, 2017, being the last trading day before the announcement of the RTO, was \$0.21.

## PRIOR SALES

As of the date of this AIF, there were 125,921,381 Common Shares outstanding. The table below sets out the dates and prices at which securities of 48North have been sold in the financial year ended June 30, 2018 and for the period July 1, 2018 to March 12, 2019, and the number of securities of the class sold at each price:

<b>Date</b>	<b>Type of Security</b>	<b>Number of Securities</b>	<b>Issue Price Per Security</b>	<b>Aggregate Issue Price</b>	<b>Consideration Received</b>
January 26, 2018	Convertible Debenture Units <sup>(1)</sup>	16,010	\$1,000	\$16,010,007	Cash
June 5, 2018	Common Shares <sup>(2)</sup>	17,788,888	n/a	n/a	n/a
June 5, 2018	Common Shares <sup>(3)</sup>	1,863,636	n/a	n/a	n/a
June 5, 2018	Common Shares <sup>(4)</sup>	555,555	n/a	n/a	n/a
June 5, 2018	Common Shares <sup>(5)</sup>	50,000	\$0.50	\$25,000	Cash
June 5, 2018	Common Shares <sup>(5)</sup>	75,000	\$0.20	\$15,000	Cash
June 18, 2018	Common Shares <sup>(5)</sup>	150,000	\$0.50	\$75,000	Cash
June 18, 2018	Common Shares <sup>(6)</sup>	100,000	\$0.10	\$10,000	Cash
June 28, 2018	Common Shares <sup>(5)</sup>	50,000	\$0.50	\$25,000	Cash
July 18, 2018	Common Shares <sup>(6)</sup>	1,000,000	\$0.10	\$100,000	Cash
September 28, 2018	Common Shares <sup>(6)</sup>	530,000	\$0.65	\$344,500	Cash
October 1, 2018	Common Shares <sup>(6)</sup>	200,000	\$0.10	\$20,000	Cash
October 16, 2018	Common Shares <sup>(6)</sup>	1,200,000	\$0.10	\$120,000	Cash
November 30, 2018	Units <sup>(7)</sup>	4,000,000	\$0.75	\$3,000,000	Cash
December 2, 2018	Common Shares <sup>(8)</sup>	24,657,525	n/a	n/a	n/a
December 12, 2018	Common Shares <sup>(6)</sup>	1,000,000	\$0.10	\$100,000	Cash
December 19, 2018	Common Shares <sup>(6)</sup>	1,000,000	\$0.10	\$100,000	Cash
January 3, 2019	Common Shares <sup>(6)</sup>	1,200,000	\$0.10	\$120,000	Cash
January 30, 2019	Common Shares <sup>(5)</sup>	100,000	\$0.50	\$50,000	Cash
February 5, 2019	Units <sup>(9)</sup>	9,393,333	\$0.75	\$7,045,000	Cash
February 6, 2019	Common Shares <sup>(10)</sup>	510,000	n/a	n/a	n/a
February 12, 2019	Common Shares <sup>(5)</sup>	750,000	\$0.05	\$37,500	Cash
March 7, 2019	Common Shares <sup>(5)</sup>	400,000	\$0.50	\$200,000	Cash
March 7, 2019	Common Shares <sup>(5)</sup>	1,138,555	\$0.90	\$1,024,700	Cash
March 7, 2019	Common Shares <sup>(5)</sup>	100,000	\$0.75	\$75,000	Cash
March 7, 2019	Common Shares <sup>(5)</sup>	250,000	\$0.50	\$125,000	Cash
March 7, 2019	Common Shares <sup>(6)</sup>	100,000	\$0.75	\$75,000	Cash
March 8, 2019	Common Shares <sup>(6)</sup>	136,220	\$1.15	\$156,653	Cash
March 11, 2019	Common Shares <sup>(5)</sup>	35,556	\$0.90	\$32,000	Cash
March 12, 2019	Common Shares <sup>(4)</sup>	542,100	\$1.15	\$623,415	Cash
<b>Total</b>		<b>68,892,378</b>		<b>\$29,508,775</b>	

**Notes:**

- (1) Issued under the Debenture Financing. In connection with the Debenture Financing, 48North Privateco also issued Compensation Options to the Underwriters. For more information, see “*General Development of the Business – Three Year History – 2018 – Qualifying Transaction and Convertible Debenture Financing*” for more information.
- (2) The Convertible Debentures issued under the Debenture Financing were converted into 17,788,888 Common Shares concurrently with the closing of the RTO.
- (3) In connection with the Initial Unit Financing, each purchaser of units also received one liquidity entitlement (“**Liquidity Entitlement**”) for each unit purchased. Each Liquidity Entitlement entitled the holder thereof to receive 0.1 of a Common Share (each a whole Common Share, a “**Liquidity Entitlement Share**”) for no additional consideration in the event that a liquidity event had not occurred on or before December 2, 2017. As a liquidity event did not occur before December 2, 2017, 48North Privateco issued 1,863,636 Liquidity Entitlement Shares, which were exchanged for Common Shares upon completion of the RTO.
- (4) The Company paid a \$500,000 finders fee for the shell company in connection with the RTO, satisfied through the issuance of 555,555 Common Shares at a deemed issue price of \$0.90 per Common Share.
- (5) Issued upon the exercise of Options.
- (6) Issued upon the exercise of Warrants.
- (7) Issued under the Canopy Financing Agreement as tranche 1 of the Private Placement. For more information, see “*General Development of the Business – Three Year History – 2018 – Canopy Growth Investment and Supply Agreement*” for more information.
- (8) Issued as consideration for the G&G Acquisition. For more information, see “*General Development of the Business – Three Year History – 2018 – G&G Acquisition and Concurrent Financing*” for more information.
- (9) Issued to a leading U.S. based private investment fund in the Private Placement. For more information, see “*General Development of the Business – Three Year History – 2019 – Private Placement Financing*” for more information.
- (10) Issued upon the vesting of RSUs.

## ESCROWED SECURITIES

### Summary of Escrowed Securities

To the knowledge of management as of the date hereof, the following Common Shares are held in escrow or otherwise subject to escrow restrictions:

Name and Municipality of Residence of Securityholder	Designation of Class	Number of Securities Held in Escrow <sup>(1) (2)</sup>	Percentage of Class
<i>William Assini</i> (London, Ontario, Canada)	Common Shares	13,889	0.0111%
<i>Martin Cauchon</i> (Montreal Quebec, Canada)	Common Shares	50,000	0.0399%
<i>Anne Darche</i> (Montreal, Quebec, Canada)	Common Shares	8,334	0.0066%
<i>Alain Dubuc</i> (Outremont, Quebec, Canada)	Common Shares	50,000	0.0399%
<i>Kirsten Gauthier</i> (Ottawa, Ontario, Canada)	Common Shares	5,556	0.0044%
<i>James Gervais</i> (Ottawa, Ontario, Canada)	Common Shares	5,556	0.0044%

<b>Name and Municipality of Residence of Securityholder</b>	<b>Designation of Class</b>	<b>Number of Securities Held in Escrow<sup>(1) (2)</sup></b>	<b>Percentage of Class</b>
<i>Alison Gordon</i> (Toronto, Ontario, Canada)	Common Shares	27,778	0.0222%
<i>Kevin Helfand</i> (Ottawa, Ontario, Canada)	Common Shares	27,778	0.0222%
<b>Total</b>		<b>260,001</b>	<b>0.207%</b>

**Note:**

- (1) The Common Shares held by the persons listed above are subject to a Tier 1 Value Escrow Security Agreement dated June 5, 2018 entered into in connection with the completion of the RTO. 25% of the Common Shares were released on the date of the final Exchange Bulletin in respect of the RTO, and 25% will be released every 6 months thereafter.
- (2) Computershare Trust Company of Canada is the depositary for the Common Shares held in escrow.

## **DIRECTORS, OFFICERS AND PROMOTERS**

### **Name, Address, Occupation and Security Holdings**

The following table sets out the names of the directors and officers of 48North, the municipality and province of residence, their position with, their principal occupation during the past 5 years, and the number and percentage of Common Shares which are beneficially owned, directly or indirectly, or over which control or direction is to be exercised, by each of the Company's directors and officers:

<b>Name, Municipality of Residence and Position with the Company<sup>(4)</sup></b>	<b>Position and Period with 48North</b>	<b>Principal Occupation During Last 5 Years</b>	<b>Number and Percentage of Common Shares Owned or Controlled<sup>(5)</sup></b>
<i>Alison Gordon</i> Co-CEO and Director (Toronto, Ontario, Canada)	Director and Co-CEO of 48North from May 18, 2017 to Present	Co-CEO, 48North Cannabis Corp.	385,556 (0.31%)
<i>Jeannette VanderMarel</i> Co-Chief Executive Officer (Ancaster, Ontario, Canada)	Director and Co-CEO of 48North from November 30, 2018 to Present	Co-founder, The Green Organic Dutchman	10,502,283. (8.4%)
<i>David Hackett</i> Chief Financial Officer (Toronto, Ontario, Canada)	CFO of 48North from April 25, 2018 to Present	CFO of Mavencare Inc. from August 2017 to April 2018; CFO of Coupgon Inc. from October 2014 to February 2016; CFO of Diversinet Corp. from March 2002 to July 2014.	Nil.

<b>Name, Municipality of Residence and Position with the Company<sup>(4)</sup></b>	<b>Position and Period with 48North</b>	<b>Principal Occupation During Last 5 Years</b>	<b>Number and Percentage of Common Shares Owned or Controlled<sup>(5)</sup></b>
<i>Kevin Helfand</i> Chief Operating Officer (Toronto, Ontario, Canada)	COO of 48North from September 5, 2017 to Present.	President, DirectCash Bank	235,556. (0.19%)
<i>William Assini<sup>(1) (2)</sup></i> Director (London, Ontario, Canada)	Director of 48North from June 5, 2018 to Present.	Corporate Director	27,778 (0.02%)
<i>Martin Cauchon</i> Chairman (Montreal, Quebec, Canada)	Chairman and Director of 48North from June 5, 2018 to Present	Executive Chairman of Groupe Capitale Médias from March 2015 to Present; Counsel of DS Lawyers Canada LLP from March 2014 to Present	130,700 (0.104%)
<i>Anne Darche<sup>(2)(3)</sup></i> Director (Montreal, Quebec, Canada)	Director of 48North from June 5, 2018 to Present.	Director of Group Germain Hotels (March 2014- ), Groupe St-Hubert (Sept. 2014-March 2016), KDC (Dec. 2016- ) and DAVIDs TEA (August 2018- )	16,667 (0.0213%).
<i>Alain Dubuc O.C. <sup>(1) (3)</sup></i> Director (Outremont, Quebec, Canada)	Director of 48North from June 5, 2018 to Present.	Public Affairs Columnist for La Presse from June 2004 to May 2018. Adjunct Professor, HEC Montreal, from June 2018 to Present.	100,000 (0.079%)
<i>James Gervais<sup>(1) (2)</sup></i> Director (Ottawa Ontario, Canada)	Director of 48North from June 5, 2018 to Present.	Corporate Director	11,111 (0.009%)

**Notes:**

- (1) Member of the audit committee.
- (2) Member of the compensation committee.
- (3) Member of the governance committee.
- (4) The information as to number of Common Shares beneficially owned or over which a director or officer exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually.
- (5) The information as to country of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and/or officers individually. Each director will serve until the next annual meeting of shareholders of the Company.

The directors and officers of 48North, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 11,409,000 Common Shares representing 9.1% of the issued and outstanding Common Shares.

## **Management**

The following is a brief description of the directors and officers of the Company:

### **Alison Gordon, Co-CEO and Director**

Ms. Gordon is a veteran of the Canadian cannabis industry, bringing a unique depth of experience and relationships to her role as Chief Executive Officer of 48North. A skilled marketer, she is celebrated for her unique ability to shift public opinion and consumer behaviour, and has been named one of Canada's Top 10 Marketers by Marketing Magazine. As co-founder of Rethink Breast Cancer, she is credited with growing a new generation of young breast cancer supporters, compelled by her ground-breaking communication and branding expertise. Ms. Gordon is applying her unique skill set to 48North's business plan in this new era of the cannabis industry.

### **Jeannette VanderMarel, Co-CEO, Director**

Ms. VanderMarel is an early entrepreneur in the cannabis industry and Co-Chief Executive Officer of 48North and was co-founder of Good & Green and The Green Organic Dutchman, one of Canada's early Licensed Producers of medical cannabis. Inspired by her personal experience as well as her daughter's battle with Dravet Syndrome, Ms. VanderMarel has a strong passion for and commitment to the cannabis industry, recognizing the opportunity cannabis presents to improve patients' lives, combat the growing reliance on opiates, and improve wellness and health by offering new and innovative treatment alternatives. Ms. VanderMarel is a Registered Nurse (RN) and a Certified Nurse in Critical Care - Pediatrics (CNCCP-C) and has previously served as Chair of the Family Advisory Council at McMaster Children's Hospital and was the co-founder and inaugural chair of the Ontario Lavender Association.

### **David Hackett, CFO**

Mr. Hackett brings over 20 years of financial and management leadership to 48North. He has overseen the growth of a number of start-up companies, including dealing with operations, technology, regulatory reporting (in Canada and the US), corporate governance, public financing (in Canada and the US) and M&A activity. Mr. Hackett is a CPA, CA and holds an MBA from the Richard Ivey School of Business at the University of Western Ontario.

### **Kevin Helfand, COO**

Mr. Helfand has over 15 years of experience leading organizations in the banking, payments and technology industries. He has an in-depth understanding of the challenges faced by organizations poised for rapid growth, and has directed sales, compliance, operations, fulfillment, human resources and facilities in both functional and matrix structures. With a focus on corporate governance and operational efficiencies, he specializes in the navigation of complex operational ecosystems and dynamic regulatory regimes. Mr. Helfand holds an MBA and LL.B. from the University of Alberta and a B. Sc. in Economics and Psychology from the University of Toronto.

### **Martin Cauchon, Chairman and Director**

Mr. Cauchon was first elected to political office in October 1993 in the federal riding of Outremont. He has held many cabinet positions, including Minister of National Revenue, Minister of Justice and Attorney General of Canada. As Justice Minister, he introduced in 2003 legislation decriminalizing the possession of small amounts of cannabis. Currently, Mr. Cauchon is Executive Chairman of Groupe Capitales Médias.

**William Assini, *Director***

Mr. Assini is a chartered professional accountant and was both Senior Vice President and Partner of PriceWaterhouseCoopers LLP for over 20 years, where he had advisory responsibility for South-Western Ontario. He left private practice in 2007 in order to pursue a career as an independent corporate director and is both a director and audit committee chair of I.G. Investment Management, Ltd. and Investors Group Corporate Class, Inc., which together have in excess of \$86 billion of assets under management. Mr. Assini is also a director and audit committee member of IG Trust Company Limited. He is also a past director of GoviEx Uranium Inc., M.R.S. Trust Company, Canada Flourspar Inc. and Mettrum Health Corporation. Mr. Assini obtained his undergraduate degree from McGill University and was awarded his Chartered Accounting designation in the Province of Nova Scotia.

**Anne Darche, *Director***

Ms. Darche is a marketing and consumer trends specialist with a 20-year career in Montreal advertising agencies, primarily as a co-owner, VP for strategic planning and president. She has managed major advertising and public opinion campaigns. The agency she helped build and administer, Allard Johnson (now Forsman & Bodenfors), has become one of Canada's leading advertising firms. She has been heard regularly on Radio-Canada sharing her views on emerging trends. Ms. Darche also serves as a director for Groupe Germain Hotels and KDC One (a leading North-American manufacturer of health and beauty-care products) and DAVIDs TEA. She is chair of MU, a not-for-profit organization devoted to beautifying the city of Montreal by creating murals that are anchored in local communities. She holds a BA in design, an MBA and is a Chartered Director.

**Alain Dubuc, *Director***

Mr. Dubuc is an economist, author and journalist. He has been editorial page editor for the Québec daily Le Soleil, publisher of Québec daily Le Soleil, national affairs columnist for La Presse. He is the recipient of numerous awards, including the National Newspaper and the Public Policy Forum Hyman Solomon award for excellence in journalism. He is presently associate professor at HEC Montreal and member of l'Institut du Québec, the Quebec branch of the Conference Board of Canada. He is also an economics and communications consultant. He has written seven books on economics and political subjects and was named Officer of the Order of Canada in 2011. Mr. Dubuc obtained his master's degree in economics at the Université de Montréal.

**James Gervais, *Director***

Mr. Gervais is a retired Army Commander of the Canadian Armed Forces who also served twelve years as a public servant as Assistant Deputy Minister to Canada's Governor General. In retirement, he has been a director on the boards of several mining companies and has served as the Chairman of the Board of Commissionaires Ottawa, the largest not for profit security firm employing military and RCMP Veterans.

**Corporate Cease Trade Orders or Bankruptcies**

As of the date hereof, and within the ten years before the date hereof, no director or officer of 48North is, or has been, a director or executive officer of any issuer that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days; and

- (c) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### Personal Bankruptcies

To the Company's knowledge, no director of the Company has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

### Conflicts of Interest

Directors and officers of the Company may also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations, but only through exercise by the directors and officers of such judgment as is consistent with their fiduciary duties to the Company which arise under the CBCA and corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Company. All conflicts of interest will be resolved in accordance with the CBCA and other applicable law. Any transactions with directors and officers will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Company, and may be submitted to the shareholders for their approval to the extent required by the CBCA or Exchange Policies. To the best of their knowledge, the management of the Company is not aware of the existence of any conflicts of interest between any of their directors and officers as of the date of this AIF, other than as disclosed herein.

### Other Reporting Issuer Experience

The following table sets out the directors, officers and Promoters of the Company that are, or have been within the last 5 years, directors, officers or Promoters of other reporting issuers:

Name	Name of Reporting Issuer	Market	Jurisdictions where reporting	Position	From	To
William Assini	Canada Fluorspar Inc.	TSX-V	Canada	Director	May, 2011	May, 2014
	GoviEx Uranium Inc.	CSE	Canada	Director	April, 2011	June, 2015
	Mettrum Health Corp.	TSX-V	Canada	Director	October, 2014	January, 2017
	I.G. Investment Management Ltd. <sup>(1)</sup>	N/A	N/A	Director	July, 2007	N/A
	Investors Group Corporate Class Inc. <sup>(2)</sup>	N/A	N/A	Director	July, 2007	N/A
James Gervais	Beaufield Resources Inc.	TSX-V	Canada	Director	February, 2012	March, 2016
Martin Cauchon	Investors Group Corporate Class Inc. <sup>(2)</sup>	N/A	N/A	Director	July, 2006	N/A
	I.G. Investment Management Ltd. <sup>(1)</sup>	N/A	N/A	Director	February, 2007	N/A



**Notes:**

- (1) William Assini and Martin Cauchon sit on the board of directors of I.G. Investment Management Ltd., the Trustee responsible for the supervision and overall direction of the Investors Group unit trust mutual funds.
- (2) Investors Group Corporate Class Inc. is a corporation with separate classes of shares and separate series of each class, with each class representing a specific Investors Group portfolio.

## **CODE OF CONDUCT AND BUSINESS ETHICS**

The Board has adopted a Code of Conduct and Business Ethics (“**Code**”) which provides guidelines surrounding, among other items, compliance with applicable laws, conflicts of interest, certain opportunities, confidentiality and disclosure, employment practices, and use of company property and resources. A copy of the Code is attached hereto as Schedule “A”.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

48North is not aware of: (a) any legal proceedings to which it is a party, or by which any of its property is subject, which would be material to it and are not aware of any such proceedings being contemplated, (b) any penalties or sanctions imposed by a court relating to securities legislation, or other penalties or sanctions imposed by a court or regulatory body against it that would likely be considered important to a reasonable investor making an investment decision and (c) any settlement agreements that we have entered into before a court relating to securities legislation or with a securities regulatory authority.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this AIF or in the financial statements of the Company for the financial year ended June 30, 2018 none of the directors or executive officers of the Company, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company’s outstanding voting securities, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three years prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or its subsidiaries.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the Company is Computershare Investor Services Inc., 100 University Avenue, Toronto, Ontario, M5J 2Y1.

## **MATERIAL CONTRACTS**

Except for those contracts described under the heading “*General Development of the Business*” relating to the Debenture Financing, being the Underwriting Agreement, the Warrant Indenture, the Supplemental Warrant Indenture and the RTO, being the Acquisition Agreement, copies of which have been filed under the Company’s profile on [www.sedar.com](http://www.sedar.com), 48North has not entered into any material contracts.

## **INTEREST OF EXPERTS**

The financial statements of the Company for the fiscal year ended June 30, 2018 have been audited by MNP LLP, the auditors of the Company located at 50 Burnhamthorpe Road West, Suite 900, Mississauga, ON,

L5B 3C2, who are independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Ontario.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found under its profile on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of 48North securities, and securities authorized for issuance under the Stock Option Plan can be found in 48North's Management Information Circular dated December 11, 2018 and filed under 48North's profile on SEDAR. Additional financial information is provided in 48North's annual financial statements and Management's Discussion and Analysis for the year ended June 30, 2018, also filed under 48North's profile on SEDAR.

## **SCHEDULE "A"**

### **Code of Conduct and Ethics**

#### **48NORTH CANNABIS CORP. CODE OF BUSINESS CONDUCT AND ETHICS**

##### **1. INTRODUCTION**

The Board of Directors of 48North Cannabis Corp. and its subsidiaries (“**48North**”) has determined that, on the recommendation of the Governance Committee, 48North should formalise its commitment to conducting its business and affairs in accordance with a code of business conduct and ethics.

##### **2. GENERAL PRINCIPLES**

48North is committed to conducting its business and affairs with honesty, integrity and in accordance with high ethical and legal standards. This Code of Business Conduct and Ethics (“**Code**”) provides a set of ethical standards by which each director, officer, employee, consultant and contractor of 48North will conduct his or her business. This Code is intended to give an overview of 48North’s expectations for its directors, officers, employees, consultants and contractors and is supplemented by other policies adopted by 48North.

##### **3. APPLICATION OF THIS CODE**

The Code applies to all directors, officers, employees, consultants and contractors of 48North and compliance with this Code for each director constitutes terms of service, for each officer and employee constitutes conditions of employment and for each consultant and contractor constitutes conditions of providing services to 48North. Each such person agrees to be bound by the provisions of this Code upon notification of the most recent copy being given to them or upon notification that an updated version has been placed on 48North’s website for review.

##### **4. COMMUNICATION OF THIS CODE**

To ensure that all directors, officers, employees, consultants and contractors of 48North are aware of this Code, a copy of this Code will be provided to them and they will be advised that this Code is available on 48North’s website for their review. All directors, officers, employees, consultants and contractors will be informed whenever significant changes are made. New directors, officers, employees, consultants and contractors will be educated about its importance.

##### **5. COMPLIANCE WITH LAWS, CODE AND POLICIES**

- (a) As the anti-corruption laws of the US and Canada have extraterritorial application, all directors, officers, employees, consultants and contractors will be bound by the most stringent requirements of those laws in all jurisdictions in which we operate, even if conduct would otherwise be permitted by the local law of a particular jurisdiction.
- (b) In addition, all directors, officers, employees, consultants and contractors, in discharging their duties, will comply with:

- (i) the laws, rules and regulations of the location in which 48North is performing business activities;
  - (ii) this Code; and
  - (iii) all corporate policies, which address many of the following expectations in more detail and including, without limitation, the following principal corporate policies:
    - (1) Corporate Disclosure Policy
    - (2) Insider Trading Policy
    - (3) Whistleblower Policy
- (c) No one working for 48North, regardless of his or her position, will ever commit an illegal or unethical act, or will instruct any officer, employee, consultant or contractor to do so. If you are confronted with a situation that raises an issue under this Code or other corporate policies, ask yourself these questions and carefully consider the appropriate action where the answer may be ‘yes’:
- (i) Is the life, health or safety of anyone, or the environment, endangered by the action?
  - (ii) Is it illegal?
  - (iii) Does it feel dishonest, unfair and/or unethical?
  - (iv) Does it compromise anyone’s trust or integrity?
  - (v) Would the public disclosure of the activity in any way be embarrassing to you, 48North or any other affected employees?
- (d) You should be sufficiently familiar with any laws and regulations and corporate policies and procedures that apply to your area of work and responsibility. That will permit you to recognize possible breaches and to know when to seek advice. If in doubt, you should discuss the matter with a member of senior management.

## 6. ANNUAL CERTIFICATION REGARDING COMPLIANCE

- (a) All directors, officers, employees and consultants of 48North, together with any contractors that the Board of Directors of 48North may decide, will provide annual certification of compliance with this Code in the form available for review on 48North’s website.
- (b) The *Corporate Secretary* of 48North will be responsible for ensuring that all annual certifications are obtained on or before the end of the first fiscal quarter of each year, and for providing written confirmation to the Board of Directors that such certifications have been obtained and summarizing the results thereof.

7. STANDARDS OF GOOD PROFESSIONAL ETHICS

48North intends that its good reputation will be maintained and, accordingly, all of 48North's activities will be carried out ethically and with honesty and integrity, in the expectation that these activities will become a matter of public knowledge. Anything less is unacceptable and will be treated as a serious breach of duty.

8. PROTECTION AND PROPER USE OF ASSETS

All directors, officers, employees, consultants and contractors of 48North will deal with 48North's assets, including all data, information (confidential or otherwise), records, material, facilities and equipment, with the strictest integrity and with due regard to the interests of shareholders and all other stakeholders. 48North's assets may not be used for personal gain or benefit. In addition, all directors, officers, employees, consultants and contractors must protect such assets from loss, damage, misuse, theft and waste and ensure that such assets are used only for legitimate business purposes.

9. GOOD AMBASSADORSHIP

- (a) All directors, officers, employees, consultants and contractors are ambassadors of 48North in both their business and personal lives. While 48North supports the freedom of the individual to pursue life in his or her own way outside of business hours, directors, officers, employees, consultants and contractors are encouraged to act in a manner which upholds their good reputation and that of 48North.
- (b) All directors, officers, employees, consultants and contractors will represent 48North in a professional manner at all times. Neither the reputation nor the image of 48North will be jeopardized at any time. The behaviour of all directors, officers, employees, consultants and contractors is seen to reflect that of 48North, so all actions must reflect the policies of 48North.

10. CONFLICT OF INTEREST

- (a) Directors, officers, employees, consultants and contractors, in discharging their duties, will act honestly and in good faith with a view to the best interests of 48North.
- (b) Directors, officers, employees, consultants and contractors will avoid situations involving a conflict, or potential conflict, between their personal, family or business interests, and the interests of 48North.
- (c) Directors, officers, employees, consultants and contractors will perform their duties and arrange their personal business affairs in a manner that does not interfere with their independent exercise of judgment. No director, officer or employee of 48North or consultant or contractor working for 48North will accept financial compensation of any kind, nor any special discount, loan or favour, from persons, corporations or organizations having dealings or potential dealings with 48North.
- (d) Non-executive directors of 48North are not expected to devote their time and effort solely on behalf of 48North, and they may have a variety of other business relationships that could give rise to a conflict of interest. Any such potential conflicts of interest are not subject to the Code and are to be resolved directly with the Board of Directors.

11. CORPORATE OPPORTUNITIES

- (a) Directors, officers and employees are prohibited from taking for themselves opportunities that arise through the use of corporate property, information or position and from using corporate property, information or position for personal gain. Officers and employees are also prohibited from competing with 48North directly or indirectly and owe a duty to 48North to advance the legitimate interests of 48North when the opportunity to do so arises.
- (b) Non-executive directors of 48North may have a variety of other business relationships involving duties of loyalty. In addition, outside directors do not, as a general matter, have the same obligation as officers and employees to bring corporate opportunities to 48North. For these reasons, the Code does not apply to outside directors with respect to corporate opportunities that do not involve property of, information of or positions with 48North, and such issues, to the extent they arise, are to be resolved directly with the Board of Directors.

12. HUMAN RIGHTS

All directors, officers and employees will adhere to 48North's commitment to promoting respect for internationally recognized human rights as set forth in the United Nations Universal Declaration of Human Rights.

13. EQUAL OPPORTUNITY

48North is committed to providing a work environment that enables all employees to be recruited, and to pursue their careers, free from any form of unwarranted discrimination. In particular, 48North will not discriminate on the basis of age, colour, creed, disability, ethnic origin, gender, marital status, national origin, political belief, race, religion or sexual orientation, unless required for occupational reasons or legislation.

14. HARASSMENT

All employees have a right to work in an environment free from all forms of harassment. Harassment is defined as any unwanted conduct or comment that is intimidating, hostile or offensive in the work environment.

15. ALCOHOL AND DRUGS

Any misuse of alcohol or legal drugs (prescribed or un-prescribed), or the use of any illegal drugs, may jeopardize job safety and/or performance, and is prohibited in the 48North workplace. No officer, employee, consultant or contractor will enter the workplace under the influence of alcohol or such drugs that may impair safety and/or performance.

16. REPORTING VIOLATIONS OF THE CODE - WHISTLEBLOWER POLICY

- (a) All directors, officers, employees, consultants and contractors will adhere to 48North's commitment to conduct its business and affairs in a lawful and ethical manner. All directors, officers, employees, consultants and contractors are encouraged to raise any queries with the Corporate Secretary.
- (b) In addition, any director, officer, employee, consultant and contractor of 48North who becomes aware of any instance where 48North receives a solicitation to engage in any act

prohibited by this Code, or who becomes aware of any information suggesting that a violation of this Code has occurred or is about to occur is required to report it to the Corporate Secretary.

- (c) Persons who wish to raise a possible policy breach or legal or ethical concerns or report another's wrongdoing, are sometimes worried about possible repercussions. 48North aims to encourage openness and will support anyone who raises genuine concerns in good faith under this Policy, even if they turn out to be mistaken. No directors, officers, employees, consultants and contractors of 48North will suffer demotion, penalty, or other adverse consequences for raising a possible policy breach, legal or ethical concerns or for reporting possible wrongdoing, even if it may result in the Company losing business or otherwise suffering a disadvantage.
- (d) 48North has also adopted a Whistleblower Policy which provides procedures for reporting violations of laws, rules, regulations or 48North's corporate policies, including a procedure for anonymous reporting.

#### 17. CONSEQUENCES OF NON-COMPLIANCE WITH THE CODE

Failure to comply with this Code may result in severe consequences, which could include internal disciplinary action or termination of employment or consulting arrangements without notice. Violation of this Code may also violate or constitute a criminal offence under US, or Canadian laws. If it appears that any director, officer, employee, consultant or contractor of 48North may have violated such laws, then 48North may refer the matter to the appropriate regulatory authorities, which could lead to penalties, fines or imprisonment for 48North and/or the responsible person.

#### 18. REVIEW OF CODE

The Board of Directors of 48North will review and evaluate this Code on an annual basis to determine whether this Code is effective in ensuring 48North's business and affairs are conducted with honesty, integrity and in accordance with high ethical and legal standards.

#### 19. QUERIES

If you have any questions about how this Code should be followed in a particular case, please contact the Corporate Secretary or the Chief Operating Officer of 48North in the first instance on +1 416 639 5891

#### 20. WAIVERS OF THE CODE

Any waiver of this Code with respect to a director or officer of 48North may be made only by the Board of Directors. Any such waiver will be promptly disclosed to the extent required by applicable laws or stock exchange rules and regulations.

#### 21. PUBLICATION OF THE CODE

This Code will be posted on 48North's website at [www.48nrth.com](http://www.48nrth.com).