CANOPY
RIVERS

CANOPY RIVERS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE AND TWELVE MONTHS ENDED MARCH 31, 2019

Date: July 15, 2019

Canopy Rivers Inc., formerly AIM2 Ventures Inc. (“AIM2”), is the parent company of Canopy Rivers Corporation (“CRC”). References in this Management’s Discussion and Analysis (“MD&A”) to “Canopy Rivers” or the “Company” refer to Canopy Rivers Inc. and/or its subsidiaries, as applicable. Canopy Rivers is a publicly traded corporation, incorporated under the laws of the Province of Ontario and located at 2504 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3Y2. The Company’s subordinated voting shares (“Subordinated Voting Shares”) are listed on the TSX Venture Exchange (the “TSXV”) under the trading symbol “RIV”. As a result of its dual class voting structure, the Company is controlled (as defined under the *Business Corporation Act* (Ontario) (the “OBCA”)) by Canopy Growth Corporation (“CGC”), a publicly-traded corporation listed on the Toronto Stock Exchange (the “TSX”) under the trading symbol “WEED” and on the New York Stock Exchange (the “NYSE”) under the trading symbol “CGC”.

Canopy Rivers is a growth capital and strategic support platform that pursues investment opportunities in the global cannabis sector. The Company identifies counterparties seeking financial and/or operating support, and seeks to provide investor returns through dividends, interest, rent, royalties, and capital appreciation.

This MD&A reports on the financial condition and results of operations of Canopy Rivers for the three and twelve months ended March 31, 2019. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements (the “Consolidated Financial Statements”) for the twelve months ended March 31, 2019, and for the 340 days ended March 31, 2018, including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A provides information for the three and twelve months ended March 31, 2019, and up to and including July 15, 2019.

Additional information including this MD&A, the Consolidated Financial Statements, the Company’s annual information form dated July 15, 2019 (the “AIF”), and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com and also on the Company’s website at www.canopyrivers.com.

The Consolidated Financial Statements and this MD&A have been reviewed by the Company’s audit committee (the “Audit Committee”) and approved by the Company’s board of directors (the “Board”) on July 15, 2019.

Canopy Rivers does not engage in any unlawful United States (“U.S.”) marijuana-related activities as defined in the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the “Staff Notice”).

Unless otherwise indicated, all financial information in this MD&A is reported in thousands of Canadian dollars, except share and per share amounts.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” within the meaning of applicable Canadian securities laws. All information, other than statements of historical fact, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company’s and Investees’ (as defined herein) businesses, operations, plans and other matters, is forward-looking information. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, statements relating to:

- the Company’s expectations regarding legislation, regulations, and licensing related to the Canadian and global cannabis market and product offerings in Canada and internationally, including with respect to cannabis derivative products;
- the expected number of users of medical cannabis or the size of the medical cannabis market in Canada and internationally;
- the expected number of users of adult-use cannabis or the size of the adult-use cannabis market in Canada and internationally;
- the potential time frame for the implementation of legislation and related regulations regarding the production, sale, and use of hemp in the U.S. and the potential form implementation of the legislation and related regulations will take;
- the potential time frame for the implementation of legislation for a regulated medical or adult-use market, or related activities, in the U.S., and the potential form implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted in the U.S.;
- the potential time frame for the implementation of legislation for regulated medical or adult-use cannabis markets internationally and the potential form implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted by various international jurisdictions;
- the Company’s ability to enter and participate in international market opportunities;
- the Company’s expectations with respect to the Company’s future financial and operating performance, including with respect to increases in operating expenses and the anticipated cash profitability of the business;
- the Company’s expectations with respect to future performance, results and terms of strategic initiatives, and strategic agreements;
- the Company’s expectations with respect to the future financial and operating performance of its domestic and international portfolio companies;
- the Company’s expectations about future market volatility of companies in the cannabis industry;
- future corporate development;
- expectations with respect to future expenditures and capital activities; and
- statements about expected use of proceeds from fund raising activities.

Investors are cautioned that forward-looking information is not based on historical fact, but instead is based on the reasonable assumptions and estimates of management of the Company at the time they were made and 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 such forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled “Risks and Uncertainties” herein and in the section entitled “Risk Factors” in the AIF. Although the Company has attempted to identify important factors that could cause actual results to differ materially from statements contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and the Company does not intend or undertake any obligation to publicly revise or update any forward-looking information that is included in this AIF, whether as a result of new information, future events or otherwise, other than as required by applicable law.

THIRD-PARTY INFORMATION

Market and industry data used throughout this MD&A was obtained from various publicly available sources. Although the Company believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and the limitations and uncertainty inherent in any statistical survey of market size, conditions and prospects.

CAUTIONARY NOTE REGARDING CERTAIN MEASURES OF PERFORMANCE

Adjusted EBITDA (as defined herein) is a non-IFRS measure that is not a recognized measure and does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. For a reconciliation of Adjusted EBITDA as calculated by the Company to the most directly comparable financial information presented in the Consolidated Financial Statements prepared in accordance with IFRS, see "Results of Operations – Adjusted EBITDA (Non-IFRS Measure)" in this MD&A.

The Company believes that these generally accepted industry measures are realistic indicators of operating performance and are useful in performing year-over-year comparisons. However, these non-IFRS financial measures should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS.

CORPORATE STRUCTURE AND BUSINESS OVERVIEW

Canopy Rivers is a publicly-traded corporation listed on the TSXV under the trading symbol "RIV", with its head office located at 2504 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3Y2.

Canopy Rivers was incorporated as "AIM2 Ventures Inc." on October 31, 2017, under the OBCA. Prior to completing the Qualifying Transaction (as defined herein), AIM2 was a capital pool company under Policy 2.4 of the TSXV Corporate Finance Manual. As a capital pool company, AIM2 had no assets other than cash and did not carry on any active business operations.

On September 17, 2018, the Company completed the acquisition of 100% of the issued and outstanding securities of Canopy Rivers Corporation ("CRC PrivateCo") in connection with a business combination involving the Company and CRC PrivateCo (the "Qualifying Transaction"). The Qualifying Transaction was completed by way of a "three-cornered" amalgamation pursuant to which CRC PrivateCo and 10859150 Canada Inc. ("Subco"), a wholly-owned subsidiary of the Company, amalgamated and the resulting entity became a wholly-owned subsidiary of the Company and continued under the name "Canopy Rivers Corporation".

In connection with the Qualifying Transaction, on September 14, 2018, the Company changed its name from "AIM2 Ventures Inc." to "Canopy Rivers Inc.". In addition, in connection with the Qualifying Transaction, the Company filed articles of amendment to consolidate (the "Consolidation") its existing common shares (the "Common Shares") on the basis of one post-Consolidation Common Share for every 26.565 pre-Consolidation Common Shares and to change its authorized capital to create the Subordinated Voting Shares and a new class of multiple voting shares (the "Multiple Voting Shares" and, together with the Subordinated Voting Shares, the "Shares"), and re-designate each outstanding post-Consolidation Common Share as a Subordinated Voting Share.

All of the issued and outstanding Multiple Voting Shares are held by CGC. CGC currently holds 15,223,938 Subordinated Voting Shares and 36,468,318 Multiple Voting Shares, representing approximately 27.1% of the issued and outstanding Shares and approximately 84.2% of the voting rights attached to all outstanding Shares. As of the date of this MD&A, the Company has three wholly-owned subsidiaries, CRC, a corporation existing under the *Canada Business Corporations Act*, and 2683922 Ontario Inc. and 2697688 Ontario Inc., both of which are existing under the OBCA. These wholly-owned subsidiaries are, or will be, the direct owners of the various securities in which the Company has invested.

Since its formation, the Company has engaged in strategic transactions with companies licensed under the Canadian national regulatory framework for cannabis cultivation, processing, and sale (currently, the *Cannabis Act* (Canada) and *Cannabis Regulations* (collectively, the "Cannabis Act") for adult-use and medical cannabis and, prior to October 17, 2018, the *Access to Cannabis for Medical Purposes Regulations* (the "ACMPR") for medical cannabis), licence applicants under the Cannabis Act and ACMPR, applicants for retail distribution licences in various provinces across Canada, and ancillary businesses related to the cannabis industry. To date, Canopy Rivers has made investments through a variety of financial structures in eighteen companies (the "Investees"), including eight Investees with international operations. Bolstered by the Company's strategic relationship with and cornerstone investment from CGC, the Company aims to create a global business with the potential to generate a significant and sustained return on invested capital over the long-term.

CORPORATE AND INVESTMENT STRATEGY

Canopy Rivers is an investment platform that pursues opportunities in the global cannabis sector. As presently constituted, domestic and international companies in the cannabis industry face a number of obstacles in securing appropriate growth capital and strategic support, and the Company's business strategy is to identify strategic counterparties seeking financial and/or operating support.

The Company's investment team of qualified financial and technical professionals, together with its advisors and support from CGC, carefully selects appropriate investment candidates for a variety of potential transaction structures, including equity, debt, royalty, joint venture, and profit-sharing agreements. Upon selecting an investment candidate, the Company and its advisors conduct financial, operational, and legal due diligence in advance of bringing the potential investee into the Canopy Rivers ecosystem.

The result is an ecosystem of complementary companies operating throughout the cannabis value chain and ancillary markets. As the portfolio continues to develop, each constituent benefits from opportunities to collaborate with CGC and amongst themselves, which the Company believes results in an ideal environment for innovation, synergy, and value creation for Canopy Rivers' ecosystem.

Through its investments to date, Canopy Rivers has established a diversified portfolio of investments including large-scale greenhouse cannabis cultivators, small-scale premium cannabis cultivators, licence applicants, international hemp processors, pharmaceutical formulators, brand developers and distributors, retail distribution licence operators, technology and media platforms, beverage companies, beauty brands, and agriculture-technology companies. While CRC PrivateCo's initial investments and partnerships focused on the Canadian cannabis market, the Company has begun to expand its portfolio to capture investments in the global cannabis sector.

DESCRIPTION OF BUSINESS

Cannabis Regulatory Framework in Canada

Medical cannabis has been legal in Canada since 2001 through various regulatory regimes. On October 17, 2018, the Cannabis Act came into force. The Cannabis Act governs both the medical and the regulated adult-use markets in Canada. Prior to October 17, 2018, legal access to and use of medical cannabis in Canada was regulated by the ACMPR. Under the Cannabis Act, holders of licences to cultivate and/or process cannabis are also permitted to supply cannabis under their existing licences obtained pursuant to the ACMPR to the regulated adult-use market.

Health Canada reported that as at March 31, 2019, there were over 355,000 active client registrations under the regulated medical cannabis market.[1] Scotiabank estimates that by 2021, the number of registered patients in Canada will increase to 565,000, approximately 60% above current levels.[2]

The distribution and sale of cannabis for adult-use purposes is regulated under the individual authority of each provincial and territorial government, and as such, regulatory regimes vary from jurisdiction to jurisdiction. In each of the provinces and territories, except for Saskatchewan, a provincial distributor is responsible for purchasing cannabis from producers and selling products to its regulated retail distribution channels. In addition, in each province and territory, other than Saskatchewan and Manitoba, the provincial distributor is solely responsible for online sales. With respect to retail sales of cannabis, other than online sales, the provincial and territorial regulations in Prince Edward Island, Nova Scotia, New Brunswick, Quebec, and the Northwest Territories allow only for government-run cannabis stores, while the provincial and territorial regulations in Ontario, Manitoba, Saskatchewan, Alberta, and Yukon leave the retail sale of cannabis, other than online sales, to the private sector. In Newfoundland, British Columbia, and Nunavut, provincial and territorial regulations allow for a hybrid model in which both public and private stores can operate.

Under the Cannabis Act and the regulations thereunder, Health Canada has been granted the authority to issue a wide range of licences, including licences for standard cultivation, micro-cultivation, industrial hemp cultivation, and nursery cultivation, licences for standard processing and micro-processing, and sales licences. In addition, federal regulations include the following labeling and branding requirements: plain packaging, including a standardized cannabis symbol on every label; mandatory health warning messages (including specifics regarding size, placement, and appearance); a limit of one brand element aside from the brand name; no other image or graphic; backgrounds need to be a single, uniform colour; use of fluorescent or metallic colours is prohibited; labels and packaging cannot have any coating or embossing; and no inserts can be included. In the initial stages of the regulated adult-use cannabis market, products

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[1] Government of Canada – Market Data, May 24, 2019.
[2] Scotiabank – Initiating Coverage – "Growing for the Future" by Oliver Rowe and Ben Isaacson, October 2018.

available for sale are the same as those permitted in the medical cannabis market – dried flowers, oils and soft-gel and pre-rolled cannabis products. The Federal Government has released regulations with respect to the regulatory framework for ingestible cannabis, cannabis extracts, and cannabis topical products, which the federal government has indicated will come into force on October 17, 2019, with initial products available for sale no earlier than mid-December 2019.

Estimates of the size of the legal market for adult-use cannabis in Canada have varied greatly among industry observers. While recent trends in sales data suggest positive momentum for the emerging sector, industry growth thus far has been hindered by supply chain issues, low levels of customer education, and limitations in terms of product choice and access to brick-and-mortar retail locations. While Canadian household spending on cannabis was estimated to be $5.9 billion in the period from October 1, 2018, to December 31, 2018 (expressed on an annualized basis), illegal cannabis spending is estimated to have accounted for approximately 80% of that total. Specifically, legal retail trade cannabis sales totaled $164.7 million from October 17, 2018, to December 31, 2018, and $167.1 million from January 1, 2019, to March 31, 2019.[3]

In the coming months, it is anticipated that industry growth will accelerate as cultivation and processing facilities ramp up production, which in turn is expected to support the continued development of brick-and-mortar retail infrastructure. A steady increase in the cannabis supply recently led to the Alberta government lifting its moratorium on retail store licences and Quebec stores returning to more normalized operating hours. Furthermore, it is expected that the introduction of new alternative cannabis products, including ingestible cannabis, cannabis extracts, and cannabis topical products, later this year will further support industry growth. Deloitte LLP ("Deloitte") estimates the Canadian market for edibles and alternative cannabis products to be worth $2.7 billion annually, with cannabis extract-based products (including edibles) accounting for $1.6 billion, cannabis-infused beverages accounting for $529 million, topicals accounting for $174 million, concentrates accounting for $140 million, tinctures accounting for $116 million, and capsules accounting for $114 million.[4]

Global Cannabis Regulatory Reform

Currently, Canada and Uruguay represent the only two countries with a comprehensive national regulatory framework for the legal consumption of adult-use cannabis. More than 30 countries around the world have established legal frameworks related to cannabis for medical purposes to either foster research into cannabis-based medical treatments and/or create legal access to medical cannabis for citizens, and many are formally considering legislative reform related to both the medical and adult-use markets. Though by no means an exhaustive list, some notable recent developments relating to global cannabis regulatory reform include the following:

- **Denmark**: Introduced a four-year pilot program for medical cannabis and a licensing and regulatory framework for cultivation
- **Germany:** German Federal Institute for Drugs and Medical Devices completed a tender process and awarded 13 initial lots for the cultivation and processing of medical cannabis
- **Greece**: Awarded the first licences to private companies for domestic medical cannabis cultivation
- **Ireland**: Launched a pilot program allowing access to cannabis-based products for medical use
- **Israel**: Legalized the export of medical cannabis
- **Luxembourg**: Announced plans to legalize cannabis for adult-use within the next five years – a preliminary concept of the bill is intended to be presented to parliament for consideration later this year
- **Mexico:** Incoming government has introduced a bill aimed at establishing a medical cannabis industry and allowing its recreational use
- **Netherlands**: Announced the intention to undertake a six-year experiment that will allow select retail entities to sell cannabis that has been cultivated and distributed through a select number of licensed growers, and announced plans to issue a second licence for the production of medical cannabis to meet growing patient demand
- **New Zealand**: Announced a binding referendum on cannabis legalization will be held at the time of the 2020 general election
- **South Africa:** Highest court has legalized private, recreational cannabis use for adults, ruling that South Africans can legally cultivate their own cannabis plants at home, and the country's health authority awarded the first batch of licences for cultivating medical cannabis to local companies
- **United Kingdom**: Legalized the issuance of prescriptions for cannabis-based medicines
- **United States**: Illinois became the 11th state in the U.S. to legalize adult-use cannabis, and the first state to legalize adult-use in a comprehensive manner via the legislature rather than by the ballot

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[3] Statistics Canada.
[4] Deloitte – "Nurturing New Growth: Canada Gets Ready for Cannabis 2.0", June 2019.

- **European Union:** European Parliament passed a resolution calling for a uniform definition of medical cannabis to emphasize the need for the standardization and unification of products containing cannabis-based medicines
- **World Health Organization:** Recommended that cannabis and its key components be formally rescheduled under international drug treaties, and that cannabidiol (“CBD”), a non-psychoactive compound found in cannabis, should not be under international control

On December 20, 2018, the Agricultural Improvement Act of 2018 (commonly known as the “2018 Farm Bill”) was signed into law by President Trump in the U.S. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the U.S. Controlled Substances Act (the “CSA”) and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the U.S. 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 (the “FDA”) has retained authority over the addition of CBD to products that fall within the Food, Drug and Cosmetics Act (the “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.

On May 31, 2019, the FDA held its first public meeting to discuss the regulation of cannabis-derived products, including CBD. The meeting included stakeholders across academia, agriculture, consumer, health professional, and manufacturer groups, and was intended to explore new pathways for hemp-derived CBD to be sold legally in the food and supplement markets, while protecting research into future pharmaceutical applications. The FDA has expressed a willingness to take a flexible regulatory approach to foster the development of hemp-derived products such as CBD; however, the FDA has indicated that those actions will have to fit under the confines of current law and further legislation will likely be required.

Furthermore, multiple legislative reforms related to cannabis are currently being considered by the federal government in the U.S. Examples include the Strengthening the Tenth Amendment Through Entrusting States Act and the Secure and Fair Enforcement Banking Act. There can be no assurance that any of these pieces of legislation will become law in the U.S.

BMO Capital Markets estimates that through potential federal legalization in the U.S. and broader legalization within the European Union and Latin America, the total addressable market that could develop for cannabis globally over the next seven years may approach $200 billion.[5] Similarly, Deloitte estimates that the top cannabis markets globally will be worth US$194 billion by 2025.[6]

Please refer to “Corporate Position on Conducting Business in the United States and Other International Jurisdictions Where Cannabis is Federally Illegal” and “Risks and Uncertainties” herein and “Risk Factors” in the AIF for additional details.

Emergence of Ancillary Cannabis Businesses

The commercialization of cannabis through medical and adult-use regulatory reform has created economic opportunities for entities directly involved in the production of cannabis, both domestically and abroad. Concurrent with the emergence of this new global industry, there has been a proliferation of businesses that provide products and services related to the broader cannabis economy. Ancillary businesses, which may include software and technology platforms, device manufacturers, and plant science innovators, may have the ability to scale more quickly and more efficiently than cannabis cultivators, processors, testers and retailers as they may not be bound by locally-issued operating licences and regulations, which place limitations on how and where specific entities can operate. These ancillary businesses may also include companies that are well-established in traditional sectors and are in the process of, or are capable of, pivoting their business models to capitalize on the new opportunities that cannabis presents. A

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[5] BMO Capital Markets – “What Could the Global Opportunity for Cannabis Look Like?” by Tamy Chen and Peter Sklar, November 1, 2018.

[6] Deloitte – “Nurturing New Growth: Canada Gets Ready for Cannabis 2.0”, June 2019.

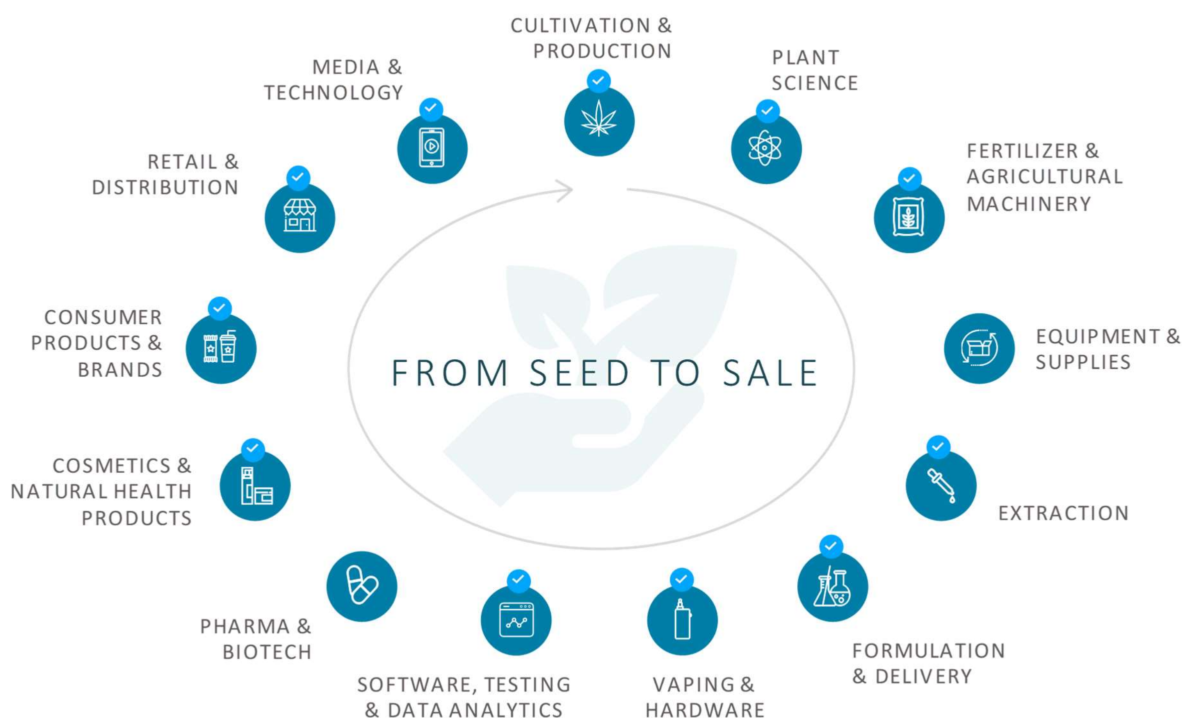
preliminary analysis by Deloitte in 2016 suggested that the size of the ancillary cannabis market was more than 2.5 times the estimated size of the base market.[7]

Developing the Canopy Rivers Ecosystem

The long history of the medical cannabis regulatory framework in Canada, combined with the recent legalization of a regulated adult-use market nationally, has created a significant opportunity for the commercialization of cannabis and ancillary cannabis businesses. Given Canada's status as arguably the most progressive federal jurisdiction with respect to both regulatory reform and capital markets activity, Canadian cannabis companies have a competitive advantage over companies in other jurisdictions and are accordingly well-positioned to become global leaders in this emerging market.

CRC PrivateCo was formed in April 2017 to pursue investment opportunities in this emerging market. While CRC PrivateCo's strategy initially focused on Canadian investment opportunities, the continued acceleration of the evolution of cannabis markets around the world has presented, and will continue to present, global investment opportunities for Canopy Rivers. These domestic and international opportunities extend beyond strictly cultivation and production-focused investments, and new businesses are constantly emerging to address the cannabis industry's rapidly evolving ancillary segments and markets. Management believes that Canopy Rivers is well-positioned to take advantage of this growing universe of investment opportunities.

The Company is focused on creating an ecosystem of diverse and complementary cannabis companies that represent various segments of the cannabis value chain and that it believes are well positioned to become leaders within their niche. The Company aims to develop a diversified portfolio in terms of both the types of companies in which it is invested, and the types of structures used in these investments.



[7] Deloitte – Recreational Marijuana: Insights and Opportunities, 2016.

As of the date of this MD&A, the Company has direct or indirect investments in the following companies:

Company[(1)]	Location of Operations
Agripharm	Ontario, Canada
BioLumic	New Zealand, U.S. and Europe
Canapar	Italy
Civilized	New Brunswick, Canada and U.S.
Eureka	Ontario and Quebec, Canada and U.S.
Greenhouse Juice	Ontario, Canada
Headset	U.S. and Ontario, Canada
Herbert	Ontario, Canada
High Beauty	U.S.
JWC	Ontario, Canada
Leaflink International	Ontario, Canada
PharmHouse	Ontario, Canada
Radicle	Ontario, Canada
Spot	New Brunswick, Canada
TerrAscend	Ontario, Canada, and U.S.
Vert Mirabel	Quebec, Canada
YSS	Alberta, Canada
ZeaKal	U.S. and New Zealand

(1) Defined terms for the companies listed above can be found under "Corporate Developments – Investments" and are referenced throughout this MD&A.

Corporate Position on Conducting Business in the United States and Other International Jurisdictions Where Cannabis is Federally Illegal

While the Company will not engage in cannabis-related activities in the U.S. related to cultivating and distributing cannabis so long as cannabis remains illegal under U.S. federal law, certain Investees in the Canopy Rivers portfolio may operate in the U.S. cannabis industry provided that Canopy Rivers' investment structure allows it to do so by virtue of a non-participating, non-voting security that is only exercisable or exchangeable upon cannabis becoming legal or permissible in the U.S. under federal law. For instance, following completion of the TerrAscend Arrangement (as defined herein), TerrAscend has been pursuing strategic transactions in the cannabis sector internationally, including select opportunities in the U.S. Pursuant to the TerrAscend Arrangement, Canopy Rivers agreed to restructure its investment into non-participating, non-voting securities in order to maintain compliance with industry regulations and the policies of the TSXV. Since closing of the TerrAscend Arrangement, TerrAscend's majority owned subsidiary, NETA NJ, LLC was awarded a permit to apply for a licence for a vertically integrated production facility in Phillipsburg, New Jersey. TerrAscend also acquired substantially all of the assets of Grander Distribution, LLC (subsequently renamed "Arise Bioscience Inc."). Subsequent to March 31, 2019, TerrAscend also acquired several entities in California operating the retail dispensary brand known as "*The Apothecarium*".

Certain other Investees, such as Civilized (a media company) and Headset (a company with a business intelligence and analytics software platform), also have ancillary involvement with U.S. cannabis-related activities. Headset's data analytics platform, in part, specifically targets and derives a portion of its revenue from entities that are engaged in the cultivation, production, processing, sale and distribution of cannabis in the U.S. Furthermore, Headset provides cannabis companies with inventory tracking and retail sales performance software. Civilized generates a portion of its advertising revenue from companies that cultivate, produce, process, sell and distribute cannabis in the U.S. Both Headset and Civilized also generate revenue from cannabis companies in other federally-regulated jurisdictions as well as from other global consumer packaged goods companies, investment funds and advisory service firms.

Canopy Rivers is not considered a U.S. Marijuana Issuer (as defined in the Staff Notice) nor does Canopy Rivers have material ancillary involvement in the U.S. cannabis industry in accordance with the Staff Notice with the capital invested in the Civilized and Headset transactions being only $9.1 million, a small fraction of the Company's overall market capitalization and asset value. Furthermore, Canopy Rivers and the Investees, other than TerrAscend, are not directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice).

The Company will only conduct business and will only invest in entities in jurisdictions outside of Canada where such operations are legally permissible and in compliance with the policies of the TSXV and the regulatory obligations of CGC pursuant to the policies of the TSX and the NYSE. In addition, the Company has and will endeavour to cause its Investees to only conduct business and invest in entities in federally-legal jurisdictions by including appropriate

representations, warranties and covenants in its agreements with Investees. Any violation of these terms would result in a breach of the applicable agreement between the Company and an Investee and, accordingly, may have a material adverse effect on the business, operations and financial condition of the Company, including as a result of any required divestment by the Company in order to comply with the Company's obligations pursuant to the policies of the TSXV and the regulatory obligations of CGC pursuant to the policies of the TSX and NYSE. Please refer to "Risks and Uncertainties" herein and "Risk Factors" in the AIF for additional details.

CORPORATE DEVELOPMENTS

Reverse Takeover Transaction

On September 17, 2018, the Company, formerly AIM2, completed its Qualifying Transaction (as such term is defined in Policy 2.4 of the TSXV Corporate Finance Manual), which was effective pursuant to an agreement between AIM2, CRC PrivateCo, and Subco, a wholly-owned subsidiary of AIM2. After giving effect to the Consolidation, AIM2 had 361,372 Subordinated Voting Shares, 36,137 options, and 18,821 broker warrants issued and outstanding immediately prior to the closing of the Qualifying Transaction. Upon the completion of the Qualifying Transaction, the Company had 166,943,425 Subordinated Voting Shares and 29,966,626 options and warrants issued and outstanding, with the former CRC PrivateCo shareholders holding 166,582,053 Subordinated Voting Shares and the former CRC PrivateCo option holders and warrant holders holding 29,911,668 options and warrants (approximately 99.8% on a dilutive basis).

The Qualifying Transaction was a reverse acquisition of AIM2 and has been accounted for under *IFRS 2, Share-based Payments*. Accordingly, the Qualifying Transaction has been accounted for at the fair value of the equity instruments granted by the shareholders of CRC PrivateCo to the shareholders, option holders, and warrant holders of AIM2. Consideration paid by the acquirer (CRC PrivateCo) is measured at the fair value of the equity issued to the shareholders, option holders and warrant holders of AIM2, which was estimated to be $1,353 (361,372 shares at $3.50 per share, and 36,137 options and 18,821 broker warrants measured using the Black-Scholes option pricing model), with the excess amount above the fair value of the net assets acquired treated as a listing expense in profit and loss. Transaction costs of $773 occurred in connection with the Qualifying Transaction have been allocated between the listing expense and share issue costs incurred in conjunction with a concurrent equity raise by CRC PrivateCo.

The fair values of the assets acquired and the liabilities assumed as at the acquisition date were estimated as follows:

		Amount
Consideration	$	1,353
(+) Transaction costs paid		773
(-) Transaction costs attributable to equity raise		(298)
	$	**1,828**
Identifiable assets acquired (cash)		584
Listing expense	**$**	**1,244**

Financing

Prior to the Qualifying Transaction, CRC PrivateCo had two classes of common shares issued and outstanding. Class A common shares ("Class A Shares") were each entitled to receive 20 votes at all meetings of the shareholders, while class B common shares ("Class B Shares") were each entitled to receive one vote at all meetings of the shareholders. There was no priority or distinction between the two classes of shares in respect of their entitlement to the payment of dividends or participation on liquidation, dissolution, or winding-up of CRC PrivateCo. Please refer to the Consolidated Financial Statements and the table below for details on CRC PrivateCo's historical financings.

Prior to the Consolidation, AIM2 had 9,600,000 Common Shares issued and outstanding through financing activities that occurred between October 2017 and February 2018. In connection with the Qualifying Transaction (described above and in further detail below), AIM2 shareholders approved special resolutions in respect of the following:

- The Consolidation, which resulted in 361,372 Common Shares being issued and outstanding; and
- The amendment to the articles of the Company to create the Subordinated Voting Shares, to which each then-outstanding Common Share was re-designated, and a new class of Multiple Voting Shares.

Accordingly, as of the date of this MD&A, the Company has two classes of shares issued and outstanding. Multiple Voting Shares entitle the holder thereof to 20 votes at all meetings of the shareholders of the Company, while

Subordinated Voting Shares entitle the holder thereof to one vote at all meetings of the shareholders of the Company. There is no priority or distinction between the two classes of shares in respect of their entitlement to the payment of dividends or participation on liquidation, dissolution, or winding-up of the Company. CGC is the sole holder of the Multiple Voting Shares.

On April 6, 2018, CRC PrivateCo completed a non-brokered private placement offering of 454,545 Class B Shares for aggregate gross proceeds of approximately $500 and share issuance costs of $nil.

On July 5, 2018, CRC PrivateCo completed a brokered private placement of 28,792,000 subscription receipts for gross proceeds of $100,772. On July 6, 2018, CRC PrivateCo completed a non-brokered private placement of 982,857 subscription receipts for gross proceeds of approximately $3,440. In total, 29,774,857 subscription receipts were sold for aggregate gross proceeds of $104,212 and share issuance costs of $5,091.

On September 17, 2018, CRC PrivateCo completed its business combination transaction involving AIM2 and Subco, which resulted in a reverse takeover of AIM2 by CRC PrivateCo and constituted AIM2's "Qualifying Transaction" (as such term is defined in Policy 2.4 of the TSXV Corporate Finance Manual). Pursuant to the Qualifying Transaction, CRC PrivateCo and Subco amalgamated to form a new amalgamated company, and upon the amalgamation, holders of Class B Shares of CRC PrivateCo received one Subordinated Voting Share for each Class B Share held and CGC, the sole holder of the Class A Shares, received one new Multiple Voting Share for each Class A Share held. In connection with the completion of the Qualifying Transaction, the 29,774,857 subscription receipts issued in connection with CRC PrivateCo's July 2018 private placement were automatically converted into 29,774,857 Class B Shares, which were subsequently exchanged for Subordinated Voting Shares of the Company.

On February 27, 2019, the Company completed a brokered equity financing pursuant to which a syndicate of underwriters purchased 13,225,000 Subordinated Voting Shares of the Company on a bought deal basis at a price of $4.80 per Subordinated Voting Share (the "Issue Price") for gross proceeds of approximately $63,480 (the "Bought Deal"). Concurrent with the Bought Deal, CGC purchased 6,250,000 Subordinated Voting Shares on a private placement basis, at a price per Subordinated Voting Share equal to the Issue Price for additional gross proceeds of $30,000. In total, 19,475,000 Subordinated Voting Shares were sold for aggregate gross proceeds of $93,480 and share issuance costs of $4,011.

Below is a summary of CRC PrivateCo's financing activities:

Summary of CRC PrivateCo Financing Activities				
Date	**Description**	**Shares Class**	**Shares Issued**	**Gross Proceeds**
April 26, 2017	Company formation	Class A Shares	1	$nil
May 12, 2017[(1)]	Initial financing	Class B Shares	9,000,000	$953
		Convertible Debenture	n/a	$20,000
June 16, 2017[(2)]	Brokered private placement	Class B Shares	61,497,970	$36,230
		Class A Shares	36,468,317	n/a
January 8, 2018	Non-brokered private placement	Class B Shares	21,572,453	$23,730
January 9, 2018	Non-brokered private placement	Class B Shares	2,063,910	$2,270
April 6, 2018	Non-brokered private placement	Class B Shares	454,545	$500
July 5, 2018[(3)]	Brokered private placement	Subscription receipts	28,792,000	$100,772
July 6, 2018[(3)]	Non-brokered private placement	Subscription receipts	982,857	$3,440

(1) Of the $953 of seed capital invested in CRC PrivateCo, $503 representing 10,066,668 Class B Shares was paid for through share purchase loans, whereby funds were advanced to CRC PrivateCo by CGC on behalf of certain directors, officers, employees, and consultants of CGC. These Class B Shares were originally placed in trust and vest in three equal tranches over three years. Accordingly, for accounting purposes, they are treated as "seed capital options" until such time that the shares have vested and the loan to CGC has been repaid. As at March 31, 2019, share purchase loans in the amount of $311 relating to the Company's shares held in trust by CGC on behalf of certain CGC employees have been repaid, resulting in the release from escrow of 6,227,776 Subordinated Voting Shares; 3,838,892 seed capital options remain outstanding.

(2) On June 16, 2017, the convertible debenture held by CGC was converted into Class A Shares. The conversion price included accrued interest of $58.

(3) The proceeds raised from CRC PrivateCo's July 2018 private placement were released from escrow upon the completion of the Qualifying Transaction on September 17, 2018, and the subscription receipts were automatically converted to Class B Shares, which were subsequently exchanged for Subordinated Voting Shares.

Below is a summary of AIM2's historical financings prior to the completion of the Qualifying Transaction:

Summary of AIM2 Financing Activities				
Date	Description	Shares Class	Shares Issued[(1)]	Gross Proceeds
October 31, 2017	Company formation	Common Shares	75,287	$100
December 4, 2017	Private placement	Common Shares	97,873	$260
February 14, 2018	Initial public offering	Common Shares	188,217	$500

(1) On a post-Consolidation basis, based upon the Consolidation ratio of 26.565:1.00 pursuant to the Qualifying Transaction.

Below is a summary of the Company's historical financings following the completion of the Qualifying Transaction:

Summary of Financing Activities to Date				
Date	Description	Shares Class	Shares Issued	Gross Proceeds
September 17, 2018[(1) (2)]	Qualifying Transaction	Subordinated Voting Shares	130,113,735	n/a
		Multiple Voting Shares	36,468,318	n/a
February 27, 2019	Bought Deal	Subordinated Voting Shares	13,225,000	$63,480
	Brokered private placement	Subordinated Voting Shares	6,250,000	$30,000

(1) In connection with the Qualifying Transaction, AIM2 shareholders approved the Consolidation.
(2) In connection with the Qualifying Transaction, holders of Class B Shares received one post-Consolidation Subordinated Voting Share for each Class B Share held; CGC, the sole holder of the Class A Shares, received one new Multiple Voting Share for each Class A Share held; and the 29,774,857 subscription receipts issued in connection with CRC PrivateCo's July 2018 private placement were automatically converted into 29,774,857 Class B Shares, which were subsequently exchanged for Subordinated Voting Shares.

Investments

Investments Held as at March 31, 2018

Agripharm

Agripharm Corp. ("Agripharm") is a company licensed to cultivate, process, and sell cannabis under the Cannabis Act. Agripharm is a joint venture between CGC and the owners of the North American entity that holds the rights to the globally-recognized cannabis brands Green House Seeds (a Netherlands-based portfolio of leading cannabis businesses, including an award-winning genetics portfolio, and pioneer in the development of the European cannabis coffee shop market) and National Concessions Group Inc. d/b/a/ Organa Brands (owner of several market-leading cannabis brands, including OpenVAPE, Bakked, Organa Labs, The Magic Buzz, and District Edibles). Pursuant to a joint venture agreement, Agripharm has sublicensed certain proprietary technology, trademarks, genetics, know-how, and other intellectual property to distribute the suite of Green House Seeds and Organa Brands products in Canada. Based in Creemore, Ontario, Agripharm currently operates a 20,000 square foot indoor production facility and a 200,000 square foot outdoor lot located on a 20-acre property that provides expansion potential.

Prior to March 31, 2018, CRC PrivateCo entered into a repayable debenture agreement and royalty agreement with Agripharm, and received warrants to purchase common shares of Agripharm. Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

During the twelve months ended March 31, 2019, the Company advanced $9,000 to Agripharm pursuant to the repayable debenture agreement (340 days ended March 31, 2018 – $nil) and $nil pursuant to the royalty agreement (340 days ended March 31, 2018 – $3,000). On December 1, 2018, the principal amount of $9,000 advanced to Agripharm during the twelve months ended March 31, 2019, pursuant to the repayable debenture agreement automatically converted into an additional royalty interest pursuant to the terms of the royalty agreement.

Please refer to "Subsequent Events" for additional information related to this Investee.

JWC

James E. Wagner Cultivation Corporation (formerly AIM1 Ventures Inc.) ("JWC") is a publicly-traded company listed on the TSXV under the trading symbol "JWCA" that is licensed to cultivate, process and sell cannabis and cannabis oils under the Cannabis Act. JWC cultivates cannabis using its advanced and proprietary aeroponic growing platform, GrowthSTORM™. Based in Kitchener, Ontario, JWC currently operates a 15,000 square foot indoor production facility.

It has also received approval from Health Canada to operate approximately 22,000 square feet of its second indoor production facility, which at full scale will be a 345,000 square foot commercial production and distribution complex.

Prior to March 31, 2018, CRC PrivateCo acquired common shares and warrants of, and entered a repayable debenture agreement and royalty agreement with, a subsidiary of JWC ("JWC Ltd."). Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

On April 30, 2018, CRC PrivateCo subscribed for 2,000,000 subscription receipts in JWC for $2,300 in connection with a brokered private placement financing undertaken by JWC. Each subscription receipt entitled CRC PrivateCo to one common share in the capital of JWC and one-half of one common share purchase warrant. Each warrant entitled CRC PrivateCo to acquire one common share in the capital of JWC for $1.50 until June 7, 2020. In connection with the offering and a reverse takeover transaction involving JWC Ltd. and AIM1 Ventures Inc., JWC Ltd. effected a stock split of approximately 270:1. As a result, the 37,000 common shares and 5,000 warrants held by CRC PrivateCo as at March 31, 2018, were converted to 9,973,911 common shares and 1,347,826 warrants, respectively. On June 4, 2018, as a result of certain conditions of the original subscription agreement between CRC PrivateCo and JWC Ltd. being met, CRC PrivateCo was issued an additional 2,000 common shares of JWC Ltd., which upon completion of the reverse takeover transaction were exchanged for 539,130 common shares of JWC. On June 7, 2018, each subscription receipt was automatically converted, without the payment of additional consideration, into one common share and one-half of one common share purchase warrant, which increased CRC PrivateCo's total equity investment in JWC to 12,513,041 common shares and 2,347,826 warrants, representing approximately 14% of the fully diluted common shares of JWC. On June 11, 2018, JWC Ltd. completed a reverse takeover transaction with AIM1 Ventures Inc., which was renamed "James E. Wagner Cultivation Corporation", and the common shares of JWC commenced trading on the TSXV.

Eureka

Eureka 93 Inc. (formerly LiveWell Canada Inc.) ("Eureka") is a publicly-traded company that will, subject to final approval by the Canadian Securities Exchange ("CSE"), be listed on the CSE under the trading symbol "ERKA". The common shares of Eureka are currently subject to a trading halt imposed by the CSE. Eureka is a life sciences company, focused on research in CBD and other cannabinoids, as well as the development and distribution of prescription and consumer health and wellness products. Eureka has also applied to list its common shares on the NASDAQ stock market.

Prior to March 31, 2018, CRC PrivateCo entered into contractual agreements with CGC, LiveWell Foods Canada Inc. ("LiveWell Foods") and Artiva Inc. ("Artiva"), a wholly-owned subsidiary of LiveWell Foods, among others, whereby CRC PrivateCo agreed to, subject to certain conditions, provide certain services, reimburse certain expenses, and make an offer for financing to Artiva in exchange for a royalty interest, whereby CRC PrivateCo would receive a royalty for a term of 20 years. The contractual agreements with LiveWell Foods and Artiva have subsequently been terminated. Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

On April 15, 2018, 5,487,641 common shares in the capital of LiveWell Foods were issued to CRC PrivateCo. LiveWell Foods completed a reverse takeover transaction with Percy Street Capital Corporation, which was renamed "LiveWell Canada Inc." and commenced trading on the TSXV under the trading symbol "LVWL" on June 21, 2018. Pursuant to the reverse takeover, among other things, each outstanding common share of LiveWell Foods was exchanged for 1.0684 of a common share of Eureka, which resulted in CRC PrivateCo owning 5,863,188 common shares in Eureka. On November 26, 2018, Eureka announced that it would list its common shares on the CSE and concurrently voluntarily delist its common shares from the TSXV.

On December 3, 2018, Eureka signed an agreement to acquire 100% of Vitality CBD Natural Health Products Inc. ("Vitality"), a cultivator and producer of hemp-derived CBD, which would result in a reverse takeover transaction by Vitality. As at March 31, 2019, the transaction had not yet been completed, and trading of the common shares of Eureka on the CSE was temporarily suspended. On April 11, 2019, shareholders approved the amalgamation of LiveWell Canada Inc., Vitality and Mercal Capital Corp. This amalgamation became effective on April 24, 2019. The shareholders also approved a name change to "Eureka 93 Inc." and a consolidation of Eureka's issued and outstanding common and preferred shares on a 15:1 basis, resulting in the Company holding 390,879 common shares in the capital of Eureka. As of the date of this MD&A, the transaction has not received final approval from the CSE.

Radicle

Radicle Medical Marijuana Inc., a subsidiary of Radicle Cannabis Holdings Inc. (together, "Radicle"), is a company licensed to cultivate, process, and sell cannabis under the Cannabis Act. Based in Hamilton, Ontario, Radicle is located near key transportation infrastructure and currently operates a 140,000 square foot indoor facility, which is being developed in phases with 25,000 square feet currently in operation. Radicle's products are available for sale through the Ontario Cannabis Store.

Prior to March 31, 2018, CRC PrivateCo entered into a convertible debenture agreement, repayable debenture agreement, and royalty agreement with Radicle. Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

During the twelve months ended March 31, 2019, CRC advanced $2,000 to Radicle pursuant to the terms of the repayable debenture agreement (340 days ended March 31, 2018 – $3,000).

On November 16, 2018, Radicle received its licence to sell cannabis under the Cannabis Act and the principal amount of $5,000 advanced to Radicle pursuant to the convertible debenture agreement automatically converted into approximately 24% of the fully diluted issued and outstanding common shares of Radicle, and the convertible debenture was cancelled. Accordingly, as at March 31, 2019, the Company owns 17,588,424 common shares of Radicle, representing approximately 24% of the fully diluted common shares of Radicle. In addition, the principal amount of $5,000 advanced to Radicle pursuant to the repayable debenture agreement was automatically set off against the royalty purchase price payable pursuant to the royalty agreement, and the repayable debenture was cancelled. Under the terms of the royalty agreement, the Company receives a royalty per gram of applicable Radicle cannabis production for a term of 20 years, subject to a minimum annual payment of $900.

Spot

Spot Therapeutics Inc. (“Spot”) is a licence holder under the Cannabis Act and wholly-owned subsidiary of CGC. Based in Fredericton, New Brunswick, Spot’s location in Atlantic Canada provides it with access to low-cost power, skilled and bilingual labour, and government subsidy opportunities through Opportunities New Brunswick. Spot is currently operating in a 40,000 square foot indoor production facility.

Prior to March 31, 2018, CRC PrivateCo acquired the property in Fredericton, New Brunswick on which Spot operates and entered into a lease agreement for the property with Spot. In addition, CRC PrivateCo entered into a repayable debenture agreement and royalty agreement with Spot. Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

TerrAscend

TerrAscend Corp. (“TerrAscend”) is a publicly-traded company listed on the CSE under the trading symbol “TER”. TerrAscend is licensed to cultivate, process, and sell cannabis and cannabis oils under the Cannabis Act. Based in Mississauga, Ontario, TerrAscend currently operates a 67,300 square foot production facility, which has received its European Union Good Manufacturing Practices (“GMP”) certification and is being developed in phases, which phases include the development of onsite laboratories, processing and distribution capabilities, and drug preparation premises.

Prior to March 31, 2018, CRC PrivateCo acquired 1,740,000 common shares of TerrAscend pursuant to a block trade and completed a subscription for 9,545,456 units of TerrAscend at a price of $1.10 per unit. Each unit included one common share of TerrAscend and one common share purchase warrant. Each warrant was exercisable to acquire one common shares of TerrAscend until December 8, 2020, at a price of $1.10 per common share. Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

On October 8, 2018, the Company entered into an arrangement agreement with TerrAscend, among others, pursuant to which TerrAscend agreed to restructure its share capital by way of a plan of arrangement under the OBCA (the “TerrAscend Arrangement”). The TerrAscend Arrangement was completed in order to permit TerrAscend to pursue strategic transactions in the cannabis sector internationally, including select opportunities in the U.S., in order to maintain compliance with industry regulations and the policies of the TSXV. In connection with the TerrAscend Arrangement, Canopy Rivers agreed to restructure its investment and waive certain restrictive covenants that were granted by TerrAscend in connection with the original investment by CRC PrivateCo. Pursuant to the TerrAscend Arrangement, the Company exercised its common share purchase warrants in the capital of TerrAscend for no cash consideration, resulting in the net issuance of 8,159,829 common shares in the capital of TerrAscend to CRC. All TerrAscend common shares held by CRC were then immediately exchanged for new conditionally exchangeable shares in the capital of TerrAscend (the “Exchangeable Shares”). Holders of Exchangeable Shares are not entitled to voting rights, dividends or other rights upon dissolution of TerrAscend. The Exchangeable Shares are convertible into TerrAscend common shares upon receipt of the approval of the stock exchanges upon which the Company’s securities are listed and following either changes in U.S. federal laws regarding the cultivation, distribution, or possession of cannabis or changes in the policies of the stock exchanges upon which the Company’s securities are listed with respect to such activities (the “TerrAscend Triggering Event”). The Exchangeable Shares do not provide (and there are no related contractual rights that would otherwise provide) CRC with any right to dividends, entitlements upon dissolution of TerrAscend, cash flow or other current economic entitlements, voting rights or any form of control over the business,

affairs, operation, or financial condition of TerrAscend. The TerrAscend Arrangement was approved by the shareholders of TerrAscend at a special meeting held on November 27, 2018, and the TerrAscend Arrangement closed on November 30, 2018. Canopy Rivers currently holds 19,445,285 Exchangeable Shares and no other securities in the capital of TerrAscend.

Since completion of the TerrAscend Arrangement, TerrAscend's majority owned subsidiary, NETA NJ, LLC was awarded a permit to apply for a vertically integrated licence in Phillipsburg, New Jersey. TerrAscend also acquired substantially all of the assets of Grander Distribution, LLC (subsequently renamed "Arise Bioscience Inc."), a producer and distributor of hemp-derived wellness products in the U.S. that are available for sale in approximately 10,000 retail locations worldwide. Subsequent to March 31, 2019, TerrAscend closed a series of transactions to acquire the California operations of the retail dispensary brand known as *The Apothecarium*. The transactions included the acquisition of a vertically integrated cannabis operation in Nevada with cannabis cultivation, edible manufacturing and a retail location and the acquisition of V Products, LLC, a producer of cannabis edible products. TerrAscend also has a sales and distribution agreement with iuvo Therapeutics GmbH, a German pharmaceutical wholesaler with a cannabis-specific import and distribution license for the European Union.

Vert Mirabel

Les Serres Vert Cannabis Inc. ("Vert Mirabel") is a company licensed to cultivate cannabis under the Cannabis Act. Vert Mirabel is a joint venture between CRC, CGC, and Les Serres Stéphane Bertrand Inc., a large-scale, Quebec-based greenhouse operator and former producer of pink tomatoes. Based in Mirabel, Quebec, Vert Mirabel has a 700,000 square foot greenhouse, located on 98 acres of land, licensed and operating for cannabis production.

Prior to March 31, 2018, upon the formation of the joint venture, CRC PrivateCo subscribed for common shares of Vert Mirabel and also committed to invest in class A preferred shares. Further information on this investment can be found in the table below and in the Consolidated Financial Statements.

During the twelve months ended March 31, 2019, CRC invested $9,546 in class A preferred shares of Vert Mirabel. As of March 31, 2019, CRC had invested $15,000 in class A preferred shares of Vert Mirabel, representing the full amount of CRC's financial commitment to Vert Mirabel.

New Investments Made During the Twelve Months Ended March 31, 2019

Civilized

Civilized Worldwide Inc. ("Civilized") is a modern media company and lifestyle brand focused on elevating cannabis culture. Civilized develops platforms utilized for the purpose of mainstream communication pertaining to the global cannabis industry through three segments: (i) Civilized.life, a news and entertainment website that publishes proprietary and third party content; (ii) Civilized Studio, which produces broadcast quality video and original series; and (iii) Civilized Events, which hosts exclusive branded experiences such as the Civilized Games and the World Cannabis Congress that was held in New Brunswick in June 2018 and 2019.

On April 17, 2018, CRC PrivateCo entered into a funding agreement with Civilized, as amended on May 7, 2018, and April 4, 2019, whereby CRC PrivateCo committed to advance $5,000 pursuant to a convertible debenture agreement with Civilized. Per the terms of the convertible debenture agreement, interest is earned at a rate of 14% per annum, calculated and compounded quarterly, provided that, in accordance with an amendment made subsequent to March 31, 2019, interest until the two-year anniversary of the closing date of the investment will accrue and be payable on May 31, 2020. The convertible debenture matures on May 31, 2020, and, as of the date of this MD&A, is convertible in advance of maturity at the option of CRC into 456,812 class A common shares of Civilized (397,227 class A common shares of Civilized prior to the April 2019 amendment), which represents approximately 17% of the common shares of Civilized. The debenture will automatically convert in certain limited circumstances. The debenture is also secured by the assets of Civilized. The transaction closed, and CRC PrivateCo advanced $5,000 on May 8, 2018. CRC PrivateCo also received common share purchase warrants of Civilized with a total exercise price of $3,500 and a 36-month expiry. In connection with the funding agreement, CRC has the right to nominate the greater of: (i) one individual; and (ii) 20% of the nominees to Civilized's board of directors. Pursuant to the agreements entered into between the companies, CRC and Civilized have agreed to work together on various online, media, and event mandates relating to the cannabis industry.

PharmHouse

PharmHouse Inc. ("PharmHouse") is a licence applicant under the Cannabis Act. PharmHouse is a joint venture between CRC and the principals and operators of a leading North American cultivator and distributor of greenhouse-

grown vegetables (the “PharmHouse JV Partner”). PharmHouse has acquired a newly built 1,300,000 square foot greenhouse in Leamington, Ontario, for the purposes of cannabis cultivation. The facility is currently being upgraded for compliance with GMP standards, which is intended to facilitate optimized and standardized output for both domestic and international distribution. As of the date of this MD&A, PharmHouse has secured multiple offtake agreements, with purchase orders in place for an aggregate of 50% of its near-term production capacity upon licensing until December 31, 2020.

On May 7, 2018, CRC PrivateCo entered into a joint venture with 2615975 Ontario Inc. to form PharmHouse and subscribed for 49% of the common shares of PharmHouse for a nominal amount, with the PharmHouse JV Partner subscribing for the other 51% of the common shares of PharmHouse for a nominal amount. Pursuant to the shareholders agreement between CRC and the PharmHouse JV Partner, CRC has the right to designate two nominees to PharmHouse’s five-member board of directors. To help finance the retrofit of the greenhouse, and per the terms of the shareholders agreement, CRC agreed to contribute $9,800 and the PharmHouse JV Partner agreed to contribute $10,200 to maintain their respective ownership positions. In connection with the joint venture, CRC PrivateCo also issued warrants to the PharmHouse JV Partner to purchase 14,400,000 Class B Shares at an exercise price of $2.00 per Class B Share, expiring on the later of (i) May 7, 2020; and (ii) 12 months following the date PharmHouse receives a licence to sell cannabis under the Cannabis Act. In connection with the Qualifying Transaction, the warrants were amended to include an outside expiration date of September 17, 2023, and are now exercisable to acquire Subordinated Voting Shares. CRC PrivateCo also agreed to provide services to PharmHouse in order to arrange for the purchase of 25% of the cannabis produced by PharmHouse until December 31, 2020, with the right to arrange for the purchase of up to 50% of the cannabis produced by PharmHouse thereafter. On July 19, 2018, the Company advanced the $9,800 referenced above to PharmHouse in exchange for 9,800,000 common shares of PharmHouse. In connection with the formation of the joint venture, the PharmHouse JV Partner agreed to a global non-competition agreement in respect of cannabis operations, with limited carve outs for the U.S.

On November 21, 2018, the Company entered into a shareholder loan agreement with PharmHouse pursuant to which the Company committed to advance to PharmHouse up to $40,000 of secured debt financing with a three-year term and an annual interest rate of 12%, calculated monthly and payable quarterly after receipt of a licence to sell cannabis under the Cannabis Act at PharmHouse’s initial production and processing facility. Proceeds from the shareholder loan to PharmHouse are expected to be utilized to supplement personnel and logistics resources for domestic and international distribution, capital expenditures related to the ongoing upgrade and retrofit of PharmHouse’s nursery, processing, and greenhouse infrastructure, working capital, and other general corporate purposes. The amount available under the shareholder loan agreement is inclusive of $5,000 advanced to PharmHouse by the Company pursuant to a demand note on October 11, 2018. Between November 23, 2018, and December 23, 2018, the Company advanced the remaining $35,000 to PharmHouse pursuant to the terms of the shareholder loan agreement.

Concurrent with entering into the shareholder loan agreement, the Company, PharmHouse, and the PharmHouse JV Partner amended the terms of the Company’s global non-competition agreement with the PharmHouse JV Partner to include additional rights in favour of the Company in the event the PharmHouse JV Partner commences operations in the U.S. cannabis market.

On January 7, 2019, PharmHouse entered into a syndicated credit agreement (the “PharmHouse Credit Agreement”) with a number of Canadian banks to provide PharmHouse with a committed, non-revolving credit facility with a maximum principal amount of $80,000 (the “PharmHouse Credit Facility”). The obligations of PharmHouse under the PharmHouse Credit Facility are secured by guarantees of the Company and CRC, and a pledge by CRC of all of the shares of PharmHouse held by it. The PharmHouse Credit Facility has a three-year term. The PharmHouse Credit Agreement contains customary representations and warranties, affirmative and negative covenants, and events of default applicable to PharmHouse. The PharmHouse Credit Agreement also contains certain representations and warranties and affirmative covenants applicable to the Company, including the requirement that the Company maintain available liquidity of $12,000, which may be reduced upon the occurrence of certain events.

On January 7, 2019, the Company acquired an additional 1,198,660 common shares of PharmHouse at a price of $1.00 per common share, for a total investment of $1,199. This follow-on investment maintained the Company’s ownership interest in PharmHouse at 49%.

YSS

YSS Corp.™ (formerly Solo Growth Corp. and, prior to that, Aldershot Resources Ltd.) (“YSS”) is a publicly-traded company listed on the TSXV under the trading symbol “YSS” and on the Frankfurt Stock Exchange under the trading symbols “WKN:A2PBMC” and “FSE:2LK”. With retail operations under the YSS and Sweet Tree brands, YSS has four licensed-operating retail stores in Alberta. YSS has six more Alberta Gaming, Liquor and Cannabis Commission (“AGLC”) licensed stores in Alberta, all of which are expected to be open by end of August 2019, two additional retail

locations in Alberta that have passed AGLC inspection and a strategic portfolio of under construction, leased and prospective locations.

On June 28, 2018, CRC PrivateCo acquired 55,300,000 common shares of YSS at a price of $0.05 per common share for a total investment of $2,765, representing approximately 8% of the fully diluted common shares of YSS. In connection with the subscription, CRC PrivateCo and YSS entered into an investor rights agreement, pursuant to which CRC PrivateCo was granted certain pre-emptive rights, rights with respect to future issuances of convertible securities, and the right to appoint an individual to the advisory committee of YSS.

On December 18, 2018, the Company acquired an additional 10,000,000 common shares of YSS at a price of $0.05 per common share, for a total investment of $500. This follow-on investment maintained the Company's ownership interest in YSS at 8%. Subsequent to March 31, 2019, YSS' shareholders approved a consolidation of its issued and outstanding common shares on a 6:1 basis, resulting in the Company owning 10,833,333 common shares in YSS as of the date of this MD&A.

Canapar

Canapar Corp. ("Canapar"), through its wholly-owned subsidiary, Canapar SrL ("Canapar Italy"), is focused on hemp cultivation and extraction in Sicily, Italy. Canapar Italy has a partnership with the Department of Agriculture of the University of Catania, which carries out research regarding agricultural and food production, including the growing of hemp, and works alongside farmers in Sicily on hemp cultivation. Canapar Italy intends to purchase this hemp on a wholesale basis from farmers and extract CBD oil from the hemp. Canapar Italy has commenced construction of its CBD extraction and processing facility, which is expected to be completed by the end of 2019. Once completed, the Company anticipates that this facility will be one of the largest of its kind in Europe, and believes that it will be capable of processing 600 metric tons of hemp biomass annually into CBD isolates and derivative products for distribution in the European market. Canapar Italy has entered into agreements for hemp farming covering over 1,000 hectares of land. Canapar Italy also owns Marishanti SRL, an Italian retail and beauty product brand.

On July 24, 2018, CRC PrivateCo completed a subscription for common shares of Canapar for a total investment of $750 in Canapar. CRC PrivateCo's total initial investment in Canapar represented 10,500,000 common shares (approximately 35% of the fully diluted common shares of Canapar). In connection with the subscription, CRC PrivateCo and Canapar entered into an investor rights agreement, whereby CRC has the right to designate one nominee to Canapar's three-member board of directors (CRC's nomination right increases to two nominees if the number of members of Canapar's board of directors increases above five members). As part of the investment, CRC PrivateCo also received a call option to purchase 100% of Canapar's interest in its investees. The consideration to be paid upon the exercise of the call option will be the greater of: (i) eight times EBITDA; and (ii) $200,000, less the liabilities of the acquired investees, multiplied by the percentage interest that CRC PrivateCo does not own in Canapar at the time of exercise. The option is exercisable for as long as CRC is a shareholder of Canapar.

On December 6, 2018, the Company completed a subscription for an additional 8,888,888 common shares of Canapar at a price of $0.90 per common share, for a total investment of approximately $8,000. This follow-on investment was part of a broader private placement completed by Canapar and represented the first of two tranches of investment by the Company.

On February 1, 2019, the Company completed a subscription for an additional 10,444,445 common shares of Canapar at a price of $0.90 per common share, for a total investment of $9,400. This follow-on investment represented the second tranche of its total committed investment of $17,400 announced in December 2018 and increased the Company's ownership interest in Canapar to 49%.

Headset

Headset Inc. ("Headset") is a real-time business intelligence and analytics software platform for the cannabis industry. With services that provide access to up-to-the-minute information on sales trends, emerging industries, popular products, and pricing, Headset's proprietary software platform allows customers to use data to identify new areas of opportunity, understand the competition, and tailor product development. Headset has a U.S.-specific strategic alliance with Nielsen Holdings plc ("Nielsen") to provide U.S. cannabis market data and analytics to consumer-packaged goods companies monitoring the cannabis space. Headset also has a strategic alliance with Nielsen and Deloitte to provide key stakeholders in the cannabis sector with data-driven insights related to federally regulated cannabis consumption and sales in Canada.

On December 21, 2018, the Company completed a subscription for 1,500,000 series A preferred shares of Headset at a price of $2.72 (US$2.00) per preferred share, for a total investment of $4,085 (US$3,000), representing a 7% ownership interest on a fully diluted basis.

Greenhouse Juice

10831425 Canada Ltd. d/b/a/ Greenhouse Juice Company ("Greenhouse Juice"), is an organic, plant-based beverage producer and distributor. Founded in January 2014, Greenhouse Juice has expanded from a single retail outlet to an omnichannel business with 15 retail locations, an e-commerce delivery service, and a growing network of distribution partners with hundreds of retail locations, including both big box and specialty boutiques, such as Whole Foods and Costco. Greenhouse Juice operates out of a purpose-built, food grade, and GMP-compliant production and processing facility in Mississauga, Ontario.

On January 14, 2019, the Company advanced $6,000 to Greenhouse Juice pursuant to a senior secured convertible debenture agreement (the "Greenhouse Secured Debenture"). The Greenhouse Secured Debenture has a three-year term and bears interest at a rate of 12% per annum, calculated and compounded quarterly. The principal amount advanced pursuant to the Greenhouse Secured Debenture, plus any accrued and unpaid interest, is convertible, at the option of the Company, into preferred shares of Greenhouse Juice based on a conversion price of $1.51 per preferred share. The Company also committed to invest an additional $3,000 in Greenhouse Juice pursuant to an unsecured convertible debenture (the "Greenhouse Unsecured Debenture"). The Greenhouse Unsecured Debenture is non-interest bearing and automatically converts into preferred shares of Greenhouse Juice on April 30, 2020, based upon certain pre-determined performance milestones. In connection with the investment, the Company also received preferred share purchase warrants, which the Company is required to exercise if certain conditions are met (the "Greenhouse Preferred Warrants"), and incremental warrants entitling the Company to increase its economic interest in Greenhouse Juice to 51% under certain circumstances. Furthermore, the Company has the right to designate 20% of the nominees to Greenhouse Juice's board of directors.

Please refer to "Subsequent Events" for additional information related to this Investee.

Herbert

10663522 Canada Inc. d/b/a Herbert ("Herbert"), is an early-stage brand platform focusing on the adult-use cannabis beverage and edibles market. Herbert's intention is for its core beverage offering to focus primarily around tetrahydrocannabinol ("THC") infused products designed for distribution within Canada. Herbert was established by certain principals of Greenhouse Juice and plans to, through a supply arrangement expected to be entered into with Greenhouse Juice, leverage Greenhouse Juice's purpose-built, food-grade, and GMP-compliant production and processing facility.

On January 22, 2019, the Company completed a subscription for 4,074,074 preferred shares of Herbert at a price of $0.37 per preferred share, for a total investment of $1,500, representing a 23% ownership interest on a fully diluted basis. In connection with the investment, the Company received a warrant that, if exercised, would increase its economic interest in Herbert to 51% under certain circumstances. Furthermore, the Company has the right to designate 20% of the nominees to Herbert's board of directors.

Leaflink International

LeafLink Services International ULC ("LeafLink International") is a joint venture between a wholly-owned subsidiary of CRC and a wholly-owned subsidiary of LeafLink, Inc., a U.S. based company, that exclusively licenses business-to-business e-commerce marketplace and supply chain technology platform for deployment throughout regulated international cannabis markets outside of the U.S. Leaflink Inc. is a SaaS marketplace that simplifies the supply chain through its e-commence platform and that has linked over 2,800 cannabis retailers across 16 territories in the U.S. with more than 750 vendors, recently servicing over $1.0 billion of gross merchandise value on an annualized basis. As of the date of this MD&A, LeafLink International**'s** commerce platform is facilitating transactions between 12 cannabis retailers and six vendors in Saskatchewan, with further provincial expansion underway.

On March 8, 2019, a wholly-owned subsidiary of CRC completed a subscription for 2,000,000 common shares of LeafLink International at a price of $1.32 (US$1.00) per preferred share, for a total investment of $2,638 (US$2,000), representing an 18% ownership interest on a fully diluted basis. In connection with the investment, the Company also has the right designate 33% of the nominees to LeafLink International's board of directors.

Summary

Below is a summary of the Company's investments as of March 31, 2019:

Yield Investments					
Investee	**Investment**	**Minimum Capital Committed**	**Estimated Annual Payment(1)**	**Advanced as at March 31, 2019**	**Notes**
Agripharm	Repayable debenture / royalty interest	$12,000 ($20,000 total)	$2,400	$12,000	• $12,000 advanced that is subject to the royalty interest • Agripharm may draw an additional $8,000(2) • Royalty is for a term of 20 years and is subject to a minimum annual payment based on 20% of the amount advanced pursuant to the royalty interest
Civilized	Convertible debenture	$5,000	n/a	$5,000	• Amounts drawn under debenture bear interest at 14% per annum, payable quarterly after the two-year anniversary of the investment • Convertible into 456,812 class A common shares of Civilized (397,227 class A common shares of Civilized prior to the April 2019 amendment to the convertible debenture agreement)
Greenhouse Juice	Secured convertible debenture	$6,000	n/a	$6,000	• Amounts drawn under the debenture bear interest at 12% per annum, payable at the maturity date • Convertible into 3,962,496 preferred shares of Greenhouse Juice (excluding accrued interest)
Greenhouse Juice	Unsecured convertible debenture	$3,000	n/a	$Nil(2)	• Amounts drawn under the debenture are interest-free • Convertible into 1,540,971 to 1,981,248 preferred shares of Greenhouse Juice, based upon the achievement of certain sales-related milestones
JWC	Royalty interest	$2,500	$488	$2,500	• Royalty is for a term of 20 years and is subject to a minimum annual payment
PharmHouse	Loan receivable	$40,000	$4,800	$40,000	• Amounts drawn under the shareholder loan bear interest at 12% per annum, payable quarterly after the receipt of PharmHouse's licence to sell cannabis • Loan is for a term of three years
Radicle	Royalty interest	$5,000	$900	$5,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment
Spot	Repayable debenture / royalty interest	$13,500	$2,853	$nil	• Amounts drawn under the debenture bear interest at 10% per annum, payable quarterly • Upon the six-month anniversary of the receipt of Spot's cultivation licence, the principal advanced pursuant to the debenture is set-off as consideration payable under a royalty agreement • Royalty is for a term of 25 years and is subject to a minimum annual payment
Spot	Lease	$2,600	$580	$2,600	• Payments include monthly lease payments and management fee • Rent escalates every five years • Lease is for a term of 20 years

Yield Investments					
Investee	**Investment**	**Minimum Capital Committed**	**Estimated Annual Payment[1]**	**Advanced as at March 31, 2019**	**Notes**
Vert Mirabel	Preferred shares	$15,000	$2,700	$15,000	• Cumulative dividend rate of 18% prior to the acquisition of the greenhouse by Vert Mirabel; 10% thereafter • Redemption (including accrued and unpaid dividends) expected to occur once Vert Mirabel has generated sufficient cash flow to acquire the greenhouse and repay the principal amount outstanding

(1) Estimated annual payments above are based on total minimum draws based on capital committed under various agreements.
(2) Please refer to “Subsequent Events” for additional information related to this Investee.

Equity and Warrant Investments				
Investee	**Investment**	**Cost Base[1]**	**Number of Shares / Warrants**	**Notes**
Agripharm	Warrants	$586	93,436	• Warrants to purchase 4% of the fully-diluted common shares and in-the-money securities for $5,000
Canapar	Common shares	$18,150	29,833,333	• Represents a 47% equity interest on a fully-diluted basis
	Call option	Nominal	n/a	• Call option to purchase 100% of Canapar’s interest in its investees
Civilized	Warrants	$1,259	221,239	• Warrants to purchase an approximate 8% equity interest on a fully-diluted basis
Eureka	Common shares	Nominal	390,879[2]	• Represents an approximate <1% equity interest on a fully-diluted basis (pro forma Vitality reverse takeover)
Greenhouse Juice	Warrants	Nominal	1,386,874	• Warrants to purchase an approximate 5% equity interest on a fully-diluted basis • Control warrant to purchase 51% of the fully diluted shares
Headset	Preferred shares	$4,085	1,500,000	• Represents an approximate 7% equity interest on a fully-diluted basis
Herbert	Preferred shares	$1,406	4,074,074	• Represents an approximate 23% equity interest on a fully-diluted basis
	Warrants	$94	n/a	• Control warrant to purchase 51% of the fully diluted shares
JWC	Common shares	$5,986	12,513,041	• Represents an approximate 14% equity interest on a fully-diluted basis
	Warrants	$289	2,347,826	
Leaflink International	Common shares	$2,638	2,000,000	• Represents an approximate 18% equity interest on a fully-diluted basis
PharmHouse	Common shares	$40,231[3]	10,998,660	• Represents an approximate 49% equity interest on a fully-diluted basis
Radicle	Common shares	$5,000	17,588,424	• Represents an approximate 24% equity interest on a fully-diluted basis
TerrAscend	Exchangeable Shares[4]	$12,240	19,445,285	• Exchangeable Shares are not entitled to voting rights, dividends, or other rights upon dissolution of TerrAscend
Vert Mirabel	Common shares	Nominal	260	• Represents an approximate 26% equity interest on a fully-diluted basis
YSS	Common shares	$3,265	10,883,333[2]	• Represents an approximate 8% equity interest on a fully-diluted basis

(1) Cost base for warrant investments is generally estimated based on allocation of total committed capital on an individual transaction basis between warrants and another financial instrument (e.g. royalty interest, convertible debenture, common shares, etc.).
(2) Reflects the impact of a share consolidation that became effective subsequent to March 31, 2019.
(3) Cost base includes the estimated value of the warrants provided to the PharmHouse JV Partner.
(4) Please refer to “Results of Operations” for further discussion related to the TerrAscend Exchangeable Shares.

RESULTS OF OPERATIONS

The following table sets forth summary operating results and balance sheet data for the indicated periods:

	Three Months Ended		Twelve Mos. Ended	340 Days Ended
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Summary Operating Results				
Operating income	$ 6,082	$ 19,543	$ 38,477	$ 50,211
Operating expenses	7,512	2,384	30,450	7,306
Net operating income (loss)	(1,430)	17,159	8,027	42,905
Net income (loss)	(1,826)	14,590	3,918	36,361
Other comprehensive income (loss) (net of tax)	22,418	28,893	(34,271)	38,603
Total comprehensive income (loss)	20,592	43,483	(30,353)	74,964
Basic earnings per share ("EPS")	$ (0.01)	$ 0.12	$ 0.03	$ 0.37
Diluted EPS	$ (0.02)	$ 0.11	$ 0.02	$ 0.36
Summary Cash Flow Results				
Cash from operating activities			$ (2,633)	$ 128
Cash from investing activities			(129,614)	(33,847)
Cash from financing activities			190,131	80,018
Balance Sheet Data				
Cash			$ 104,183	$ 46,299
Total assets			419,285	209,139
Total liabilities			11,099	16,909
Shareholders' equity			408,186	192,230

The Company reported a net loss of $1,826 and basic and diluted EPS of $(0.01) and $(0.02), respectively, for the three months ended March 31, 2019, compared with net income of $14,590 and basic and diluted EPS of $0.12 and $0.11, respectively, for the same period last year. Net loss for the three months ended March 31, 2019, was primarily driven by the impact of share-based compensation expense relating to the accounting treatment of seed capital options and consultant options, which are remeasured each period, offset by positive net changes in the fair value of financial assets at fair value through profit or loss ("FVTPL").

The Company reported net income of $3,918 and basic and diluted EPS of $0.03 and $0.02, respectively, for the twelve months ended March 31, 2019, compared with net income of $36,361 and basic and diluted EPS of $0.37 and $0.36, respectively, for the 340 days ended March 31, 2018. Net income for the twelve months ended March 31, 2019, was primarily driven by positive net changes in the fair value of financial assets at FVTPL, offset by the impact of share-based compensation expense relating to the accounting treatment of seed capital options and consultant options.

The Company reported total comprehensive income of $20,592 for the three months ended March 31, 2019, compared with total comprehensive income of $43,483 for the same period last year. For the twelve months ended March 31, 2019, the Company reported total comprehensive loss of $(30,353), compared with total comprehensive income of $74,964 for the 340 days ended March 31, 2018. For both the three and twelve months ended March 31, 2019, other comprehensive income (loss) was primarily driven by net changes in the fair value financial assets at fair value through other comprehensive income ("FVTOCI"). Specifically, the fair value adjustment the Company recognized as a result of the TerrAscend Arrangement during the three months ended December 31, 2018, had a significant downward impact on other comprehensive income for the full-year period. Please refer to "Results of Operations – TerrAscend Fair Value Adjustment" for further details.

The Company expects that, in the near term, its net income (loss) and comprehensive income (loss) will continue to be largely driven by net changes in the fair value of financial assets at FVTPL or financial assets at FVTOCI. In turn, the Company expects that these net changes will continue to be largely dependent on the regulatory, business, and capital

markets environment in the cannabis industry, which environments will in turn continue to inform the Company's investment strategy. Given the inherent volatility of valuations of investments in the global cannabis sector, the Company anticipates continued volatility in its financial results. Furthermore, while the Company anticipates that in the long term, its share of income or loss from equity method Investees will have a significant impact on its financial results, it does not anticipate this to happen over the next few fiscal quarters.

Operating Income

The Company reported operating income of $6,082 for the three months ended March 31, 2019, compared with $19,543 for the same period last year.

Royalty, interest, and lease income was $2,558 for the three months ended March 31, 2019, compared with $317 for the same period last year. For the three months ended March 31, 2019, this was primarily comprised of royalty and interest income generated from the Company's royalty and debenture agreements with Agripharm, Civilized, Greenhouse Juice, JWC, and Radicle; interest and management fee income generated from the lease agreement with Spot; and interest income generated from the shareholder loan agreement with PharmHouse. For the three months ended March 31, 2018, this was primarily comprised of royalty and interest income generated from the Company's royalty and debenture agreements with Agripharm, JWC, and Radicle; and interest and management fee income generated from the lease agreement with Spot.

Share of income from equity method investees was $454 for the three months ended March 31, 2019, compared with a share of loss of $74 for the same period last year. As noted in the Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. Canapar, PharmHouse, and Radicle represented the Company's equity method investees for which a share of income or loss was recorded for the three months ended March 31, 2019. The Company's share of income from equity method investees for the three months ended March 31, 2019, was positively impacted by a reversal of its previously-recorded share of losses relating to its investment in Civilized as during the period, the Company revised its previous conclusion that Civilized should be accounted for using the equity method. Excluding the impact of this adjustment, the Company's share of loss from equity method investees was $1,335 for the three months ended March 31, 2019. Radicle represented the Company's only equity method Investee for which a share of loss was recorded for the three months ended March 31, 2018. Due to the early-stage nature of the equity method investees' businesses, the Company expects the Investees to continue to generate net losses in the near term.

Net changes in fair value of financial assets at FVTPL were an increase of $3,070 for the three months ended March 31, 2019, compared with an increase of $19,076 for the same period last year. For the three months ended March 31, 2019, the net increase was primarily driven by the change in the fair value of the Company's investment in the Canapar call option. For the three months ended March 31, 2018, the net increase was primarily driven by changes in the fair value of the Company's investment in TerrAscend warrants.

The Company reported operating income of $38,477 for the twelve months ended March 31, 2019, compared with $50,211 for the 340 days ended March 31, 2018.

Royalty, interest, and lease income was $4,867 for the twelve months ended March 31, 2019, compared with $817 for the 340 days ended March 31, 2018. Royalty, interest, and lease income for both the twelve months ended March 31, 2019, and the 340 days ended March 31, 2018, were primarily comprised of the same items described above for the three months ended March 31, 2019, and March 31, 2018, respectively.

Share of loss from equity method investees was $2,165 for the twelve months ended March 31, 2019, compared with $121 for the 340 days ended March 31, 2018. Canapar, PharmHouse, and Radicle represented the Company's equity method investees for which a share of loss was recorded for the twelve months ended March 31, 2019. Radicle represented the Company's only equity method investee for which a share of loss was recorded for the 340 days ended March 31, 2018.

Net changes in fair value of financial assets at FVTPL was an increase of $35,719 for the twelve months ended March 31, 2019, compared with $49,253 for the 340 days ended March 31, 2018. For the twelve months ended March 31, 2019, the net increase was primarily driven by changes in the fair value of the Company's investments in TerrAscend warrants (prior to the TerrAscend Arrangement), Vert Mirabel preferred shares, and the Canapar call option, as well as gains upon initial recognition of the Company's investments in Eureka common shares and YSS common shares. For the 340 days ended March 31, 2018, the net increase was primarily driven by changes in the fair value of the Company's investments in TerrAscend common shares and warrants.

Operating Expenses

The Company reported total operating expenses of $7,512 for the three months ended March 31, 2019, compared with $2,384 for the same period last year.

Consulting and professional fees were $1,046 for the three months ended March 31, 2019, compared with $285 for the same period last year. These expenses are primarily attributable to ongoing consulting services in respect of the Company's business management, sourcing and evaluating investment opportunities, due diligence-related matters, and capital markets activities completed by the Company during the period, as well as legal fees related to transaction execution and general corporate and securities matters, and audit, tax, accounting, and other regulatory compliance advisory fees. Management anticipates consulting and professional fees to continue to increase going forward as the Company continues to accelerate its business activities, grow its portfolio of investees, and commence business activities in new markets and jurisdictions.

General and administrative expenses were $1,900 for the three months ended March 31, 2019, compared with a nominal amount for the same period last year. These expenses are primarily attributable to salaries and bonuses, marketing and business development, and other administrative activities of the Company. Management anticipates salaries to increase going forward as the Company continues to build out its management team and employee base.

Share-based compensation was $4,566 for the three months ended March 31, 2019, compared with $2,115 for the same period last year. As discussed in the Consolidated Financial Statements, a portion of CRC PrivateCo's initial capital is treated as seed capital options for accounting purposes, which are remeasured each period. This creates a significant non-cash expense related to these options due to the increase in the estimated fair value of the Company's shares from CRC PrivateCo's inception to the market price as at March 31, 2019. This expense also considers options issued to consultants of the Company, which, along with the seed capital options, are remeasured each period. Options issued to provide incentives to directors, officers, and employees of the Company are also included, and the related expense is calculated based on measurements and estimates upon initial recognition. Due to the significant portion of options that are remeasured each period, the Company anticipates that this non-cash expense will continue to be significant going forward.

The Company reported total operating expenses of $30,450 for the twelve months ended March 31, 2019, compared with $7,306 for the 340 days ended March 31, 2018.

Consulting and professional fees were $2,833 for the twelve months ended March 31, 2019, compared with $1,012 for the 340 days ended March 31, 2018. As noted above, these expenses are primarily attributable to ongoing consulting services, legal fees, and audit, tax, accounting, and other regulatory compliance advisory fees.

General and administrative expenses were $3,132 for the twelve months ended March 31, 2019, compared with $32 for the 340 days ended March 31, 2018. As noted above, these expenses are primarily attributable to salaries and bonuses, marketing and business development, and other administrative activities of the Company. For the 340 days ended March 31, 2018, the Company had one salaried employee.

Share-based compensation was $24,485 for the twelve months ended March 31, 2019, compared with $6,262 for the 340 days ended March 31, 2018. As noted above, the remeasurement of the seed capital options and the consultant options each period results in a significant non-cash expense.

Adjusted EBITDA (Non-IFRS Measure)

Management defines "Adjusted EBITDA" as net earnings before any deduction for net finance costs, other non-operating expenses (income), and taxes. Adjusted EBITDA also excludes other non-cash charges and income items such as share-based compensation and the non-cash effects of fair value changes in financial assets at FVTPL. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-cash items. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS, or cash available for distribution. The Company's "Adjusted EBITDA" is a non-IFRS metric used by the Company that does not have any standardized meaning prescribed by IFRS. The Company's method of calculating Adjusted EBITDA may differ from methods used by other organizations, and accordingly, may not be comparable to similar measures presented by other companies.

Adjusted EBITDA for the three months ended March 31, 2019, was $66, compared with $198 for the same period last year. Adjusted EBITDA for the twelve months ended March 31, 2019, was $(3,207), compared with $(86) for the 340 days ended March 31, 2018. A reconciliation of net income to Adjusted EBITDA is provided in the table below:

Adjusted EBITDA (Non-IFRS Measure)	Three Months Ended		Twelve Mos. Ended	340 Days Ended
(in CDN $000's)	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Net income (loss) (as reported)	**$ (1,826)**	**$ 14,590**	**$ 3,918**	**$ 36,361**
Income tax expense	440	2,569	4,425	6,486
Interest expense	--	--	--	58
Other income	(44)	--	(316)	--
Share-based compensation expense	4,566	2,115	24,485	6,262
Net increase in fair value on financial assets at FVTPL	(3,070)	(19,076)	(35,719)	(49,253)
Adjusted EBITDA	**$ 66**	**$ 198**	**$ (3,207)**	**$ (86)**

Comprehensive Income

The Company reported total comprehensive income of $20,592 for the three months ended March 31, 2019, compared with $43,483 for the same period last year.

Net loss was $1,826 for the three months ended March 31, 2019, compared with net income of $14,590 for the same period last year. Included in these amounts are income tax expenses of $440 and $2,569 for the three months ended March 31, 2019 and 2018, respectively. The effective tax rate for these periods was 26.5% and a full deferred tax recognition was made for all taxable, deductible temporary differences and tax loss carry forwards.

Net changes in fair value of financial assets at FVTOCI, net of tax, was an increase of $22,418 for the three months ended March 31, 2019, compared with an increase of $28,893 for the same period last year. For the three months ended March 31, 2019, this increase was primarily driven by the change in the fair value of the Company's investments in JWC common shares, TerrAscend Exchangeable Shares, and Vert Mirabel common shares, partially offset by the change in the fair value of the Company's investment in YSS common shares. Due to the high levels of volatility observed in stock prices of publicly-traded cannabis companies, the Company expects net changes in fair value of financial assets at FVTOCI to continue to exhibit significant volatility in the near term.

The Company reported total comprehensive loss of $30,353 for the twelve months ended March 31, 2019, compared with total comprehensive income of $74,964 for the 340 days ended March 31, 2018.

Net income was $3,918 for the twelve months ended March 31, 2019, compared with $36,361 for the 340 days ended March 31, 2018. Included in these amounts are income tax expenses of $4,425 and $6,486 for the twelve months ended March 31, 2019, and the 340 days ended March 31, 2018, respectively. The effective tax rate for these periods was 26.5% and a full deferred tax recognition was made for all taxable, deductible temporary differences and tax loss carry forwards.

Net changes in fair value of financial assets at FVTOCI, net of tax, was a decrease of $34,271 for the twelve months ended March 31, 2019, compared with an increase of $38,603 for the 340 days ended March 31, 2018. For the twelve months ended March 31, 2019, this decrease was primarily driven by the net impact of the fair value adjustment the Company realized as a result of the TerrAscend Arrangement. Please refer to "Results of Operations – TerrAscend Fair Value Adjustment" for additional details.

TerrAscend Fair Value Adjustment

As noted above, on November 30, 2018, TerrAscend completed the TerrAscend Arrangement in order to restructure its share capital by way of a plan of arrangement. Pursuant to the TerrAscend Arrangement, the Company exercised its warrants to acquire common shares of TerrAscend for no cash consideration, resulting in the net issuance of 8,159,829 additional common shares of TerrAscend to the Company. After giving effect to the exercise of the warrants for no cash consideration, the Company owned 19,445,285 common shares of TerrAscend. All 19,445,285 common shares of TerrAscend held by the Company were thereafter exchanged pursuant to the TerrAscend Arrangement for 19,445,285 Exchangeable Shares. Please refer to "Corporate Developments – Investments: TerrAscend" for a description of the Exchangeable Shares.

As a result of the TerrAscend Arrangement, the Company derecognized its investment in the 19,445,285 common shares of TerrAscend and recognized a new investment in the 19,445,285 Exchangeable Shares. At the time of the derecognition on November 30, 2018, the fair value of the Company's investment in TerrAscend common shares was estimated to be $133,007. The common shares of TerrAscend are freely tradeable, while the Exchangeable Shares are not tradeable and hold no economic rights other than the possible opportunity to exchange such shares for common shares in TerrAscend at a future date upon the occurrence of certain events. Therefore, the fair value of the Exchangeable Shares was estimated by giving consideration to the trading price of TerrAscend common shares on the CSE on the valuation date and applying a discount for lack of marketability that was calculated using an Asian Put Option model, across a series of possible exchange dates. Management has made assumptions as to the probability that the TerrAscend Triggering Event would occur at future dates and estimated the fair value of the Exchangeable Shares as the sum of the probability-weighted discounted values across the range of these dates.

After consideration of the foregoing, the fair value of the Company's investment in the Exchangeable Shares was estimated to be $67,500 as at November 30, 2018. The net impact of the derecognition of the Company's investment in TerrAscend common shares and the recognition of the Company's investment in TerrAscend Exchangeable Shares was a net decrease in fair value of financial assets at FVTOCI of approximately $65,507. Please refer to the Consolidated Financial Statements for additional information about the TerrAscend Arrangement and its impact on the Company's financial results.

Cash From Operating Activities

Net cash used in operating activities was $2,633 for the twelve months ended March 31, 2019, compared with net cash provided of $128 for the 340 days ended March 31, 2018. Net income for the twelve months ended March 31, 2019, was $3,918 and included numerous non-cash items, including the Company's share of loss from equity method Investees of $2,165, net increase in fair value of financial assets and liabilities at FVTPL of $35,719, share-based compensation of $24,485, and income tax expense of $4,425.

Cash From Investing Activities

Net cash used in investing activities was $129,614 for the twelve months ended March 31, 2019, compared with $33,847 for the 340 days ended March 31, 2018. During the twelve months ended March 31, 2019, the Company advanced funds pursuant to pre-existing agreements with Agripharm, Radicle, and Vert Mirabel, completed a follow-on investment in JWC, and made new investments in Canapar, Civilized, Headset, Greenhouse Juice, Herbert, Leaflink, PharmHouse, and YSS.

Cash From Financing Activities

Net cash provided by financing activities was $190,131 for the twelve months ended March 31, 2019, compared with $80,018 for the 340 days ended March 31, 2018. During the twelve months ended March 31, 2019, net cash provided by financing activities was primarily attributable to the completion of a private placement of subscription receipts for aggregate gross proceeds of $104,212 and share issue costs of $5,091 during the three months ended September 30, 2018, and completion of a brokered equity financing and private placement for aggregate gross proceeds of $93,480 and share issue costs of $4,011 during the three months ended March 31, 2019. The subscription receipts were automatically converted into 29,774,857 Class B Shares and thereafter exchanged for 29,774,857 Subordinated Voting Shares upon completion of the Qualifying Transaction.

OTHER INFORMATION

The Company has not paid dividends in the past and does not expect to pay dividends in the near future. The Company plans to reinvest earnings in the Company to pursue investment opportunities and continue to develop the business. Any decision to declare dividends, in the future, will be made at the discretion of the Board and will depend upon, among other things, financial results, investment opportunities, cash requirements, contractual obligations, and other factors the Board may consider relevant.

The Company is subject to risks and uncertainties that could significantly affect its future performance, including but not limited to changes to the regulatory environment for the cannabis industry, changes to the business environment for the cannabis industry, and risk and uncertainties posed by the performance and management of the Company's investees. See "Risks and Uncertainties" herein and "Risk Factors" in the AIF for information on the risks and uncertainties that could have a negative effect on the Company's future performance.

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations, and to meet the Company's liabilities and commitments as they come due.

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the Company's activities. The Company, upon approval from the Board, will undertake to balance its overall capital structure through new share issues, the issue of debt, or by undertaking other activities as deemed appropriate under the specific circumstances.

During the three and twelve months ended March 31, 2019, the Company financed its operations and met its capital requirements primarily through proceeds raised from prior equity financings. As at March 31, 2019, working capital was approximately $103,477, primarily attributable to the Company's cash balance of $104,183. This amount excludes restricted cash of $12,000 relating to the Company's minimum available liquidity covenant pursuant to the PharmHouse Credit Agreement.

The Company anticipates that it has sufficient liquidity and capital resources to finance working capital and support its current portfolio for at least the next twelve months. Furthermore, the Company anticipates that it will be able to generate positive net cash flow from dividends, interest, rent, and royalties at some point in the future and that it is able to significantly strengthen its balance sheet and liquidity position with future equity financings (if required), which will position it to be able to make follow-on investments in current Investees and capitalize on new investment opportunities. However, the Company may face certain liquidity risks if it is unable to generate sufficient cash to fund its ongoing requirements and is unable to raise funds through debt or equity to account for its commitments. While the Company has reported positive net changes on a cumulative basis in the fair value of financial assets at FVTPL and FVTOCI since inception, and management anticipates the ongoing success and future cash profitability of the business, there can be no assurance that the Company will be able to generate sufficient positive cash flow to achieve its business plans.

The Company's principal capital needs are for funds to finance commitments to and make follow-on investments in existing Investees, make new domestic and international investments, and satisfy working capital and general corporate purposes. As at March 31, 2019, the Company's contractual commitments are as follows:

Investee	Committed Funds	Timing
Agripharm	$8,000 (1)	On or before December 1, 2022
Greenhouse Juice	$6,000 (2)	Expected in fiscal year ("FY") 2020
Eureka	$250 (3)	Expected in FY2020
Spot	$13,500 (4)	Expected in FY2020

Notes:

(1) The Company has advanced $12,000 to Agripharm as at March 31, 2019. At Agripharm's option, an additional $8,000 may be drawn on or prior to December 1, 2022. Please refer to "Subsequent Events" for additional information related to this Investee.

(2) The Company has committed to provide $3,000 of additional financing to Greenhouse Juice pursuant to the Unsecured Convertible Debenture. The Company has also committed to purchase up to $3,000 of preferred shares of Greenhouse Juice at a price of $2.16 per share pursuant to the Greenhouse Preferred Warrants in the event that Greenhouse Juice attains $12,000 of revenue in any preceding twelve-month period. Please refer to "Subsequent Events" for additional information related to this Investee.

(3) The Company has committed to reimburse CGC for up to $250 in licence application costs in connection with the licence application for Artiva.

(4) The Company has committed to provide $13,500 of additional financing to Spot, which is expected to be drawn in full during FY2020.

In addition to the aforementioned contractual obligations, the Company anticipates that certain Investees will require additional capital in order to achieve their business milestones. Accordingly, the Company may invest in additional financing rounds pursuant to the pre-emptive rights granted by certain Investees or in connection with additional cash calls pursuant to certain joint venture agreements. The amount of such investments will depend upon a host of factors, including, but not limited to, the following: the Company's assessment of the Investee's needs and uses for such capital; the Company's current liquidity and existing cash requirements at the time; and the Company's portfolio of investments and investment opportunities.

The Company is subject to risks and uncertainties that could significantly impair its ability to raise funds through debt or equity, or to generate profits sufficient to meet future obligations, or operational or development needs. See "Risks and Uncertainties" herein and "Risk Factors" in the AIF for additional information on the risks and uncertainties that could have a negative effect on the Company's liquidity.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2019, the Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel: The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board, who, together, controlled approximately 4.0% of the outstanding Subordinated Voting Shares of the Company on a fully diluted basis (assuming conversion of the Multiple Voting Shares into Subordinated Voting Shares) as of March 31, 2019. Compensation provided to key management personnel includes share-based compensation, salaries, and director fees. Share-based compensation for the three months ended March 31, 2019 and 2018, was $877 and $786, respectively. Salaries for the three months ended March 31, 2019 and 2018, were $834 and $9, respectively. Director fees for the three months ended March 31, 2019 and 2018, were $92 and $nil, respectively. Share-based compensation for the twelve months ended March 31, 2019, and the 340 days ended March 31, 2018, was $6,245 and $2,541, respectively. Salaries for the twelve months ended March 31, 2019, and the 340 days ended March 31, 2018, were $1,378 and $9, respectively. Director fees for the twelve months ended March 31, 2019, and the 340 days ended March 31, 2018, were $92 and $nil, respectively.

Transactions with CGC: As at March 31, 2019, the Company has a $nil liability to CGC included in accounts payable and accrued liabilities arising from advances made by CGC to Vert Mirabel on behalf of the Company, compared to a $3,525 liability as at March 31, 2018. As at March 31, 2019, the Company also has a $192 liability to CGC included in accounts payable and accrued liabilities arising from the share purchase loans provided by CGC relating to the seed capital options discussed above, compared to a $503 liability as at March 31, 2018. In the event the loans are repaid by the employees/consultants, the related shares will be considered issued, and the liability will be settled. Furthermore, as at March 31, 2019, the Company has a $250 liability to CGC relating to reimbursement for Eureka's licence application costs borne by CGC. The Company has other intercompany amounts with CGC, which are nominal on a net basis.

Transactions with other related parties: Transactions and balances with the Company's associates and joint venture, and associated entities of CGC are described and discussed in the Consolidated Financial Statements.

These transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of Multiple Voting Shares and an unlimited number of Subordinated Voting Shares. As at March 31, 2019, the Company had the following securities issued and outstanding:

	As at March 31, 2019	**As at July 15, 2019**
Multiple Voting Shares	36,468,318	36,468,318
Subordinated Voting Shares	150,592,136	151,148,243
Stock Options	16,361,147	17,383,040
Warrants	14,409,450	14,409,450

Stock options outstanding as at March 31, 2019, relate to Subordinated Voting Shares and are comprised of the following:

- 3,838,892 seed capital options issued to employees of CGC, which have been paid for by CGC on behalf of the employees;
- 7,993,668 options issued to consultants of the Company and employees of CGC, with exercise prices ranging between $0.60 and $3.50;
- 4,506,000 options issued to employees and directors of the Company, with exercise prices ranging between $1.10 and $4.83; and
- 22,587 options issued to former option holders of AIM2, with an exercise price of $2.66.

Warrants outstanding as at March 31, 2019, relate to Subordinated Voting Shares and are comprised of the following:

- 14,400,000 warrants issued to a counterparty to one of the Company's investments, with an exercise price of $2.00; and
- 9,450 warrants issued to former warrant holders of AIM2, with an exercise price of $2.66.

SUBSEQUENT EVENTS

On April 1, 2019, the Company advanced $3,000 to Agripharm pursuant to the terms of its repayable debenture agreement described above. This advance reduced the Company's commitment to provide Agripharm with additional financing to $5,000.

On April 2, 2019, the Company acquired 2,500,000 preferred shares and 500,000 preferred share purchase warrants in High Beauty Inc. ("High Beauty") for a total investment of $3,335 (US$2,500), representing an equity interest of approximately 18% on a fully diluted basis. High Beauty is the creator of the cannabis beauty brand *high. high* is formulated using cannabis sativa seed extracts, which are free of psychoactive substances including THC and CBD, in combination with certified organic plant oils, high-potency antioxidants, and pure plant essential oils. High Beauty's current products include a facial oil and a facial moisturizer, and the company has a distribution partnership with Sephora.

On April 26, 2019, the Company invested $1,984 (US$1,500) in BioLumic Ltd. ("BioLumic"). The investment was structured as a two-year convertible promissory note, accruing interest at 6% per annum and payable at the conversion date. Upon conversion, the debenture would give the Company an equity interest of approximately 9% on a fully diluted basis. BioLumic is the creator of a sustainable ultraviolet ("UV") light crop yield enhancement technology. BioLumic's UV light technology delivers long-term crop benefits, such as improved crop consistency, increased yield, drought tolerance and disease and pest resistance. BioLumic has begun global trials in traditional and high value crops such as lettuce and strawberries and intends to use its UV light treatment technology to develop seed treatments for medical cannabis and hemp.

On May 1, 2019, the Company advanced $3,000 to Greenhouse Juice pursuant to the terms of its unsecured convertible debenture agreement described above. This advance reduced the Company's commitment to provide Greenhouse Juice additional financing to $3,000 pursuant to the Greenhouse Preferred Warrants.

On June 14, 2019, the Company acquired 248,473 preferred shares in ZeaKal, Inc. ("ZeaKal") for a total investment of $13,487 (approximately US$10,000), representing an equity interest of approximately 9% on a fully diluted basis. ZeaKal is a California-based plant science company that has developed a novel plant genetics technology called PhotoSeed™. The PhotoSeed™ technology increases photosynthesis, improves plant yield, and enhances nutritional profiles. While ZeaKal's initial commercial focus has been on major row crops, it intends to apply the PhotoSeed™ technology to cannabis and hemp.

On July 2, 2019, the Company advanced $2,000 to Agripharm pursuant to the terms of its repayable debenture agreement described above. This advance reduced the Company's commitment to provide Agripharm with additional financing to $3,000.

On July 3, 2019, Bruce Linton stepped down as a director and Chairman of the Board. John Bell has since been appointed as Chairman of the Board.

RISKS AND UNCERTAINTIES

There are a number of risk factors that could cause the Company's actual results, performance, and achievements to differ materially from those described herein. If any of these risks actually occur, the Company's business may be

harmed, and its financial condition and results of operations may suffer significantly. Such risk factors include, but are not limited to, the following risk factors as well as those listed under the heading "Risk Factors" in the Company's AIF, which has been filed under the Company's profile on SEDAR at www.sedar.com.

Risks Relating to the Company

Internal Controls

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the Company's system of internal controls over financial reporting is not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may have a material adverse effect on the business, financial condition and results of operations of the Company or the market price of the Subordinated Voting Shares.

In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, the Company may not be able to accurately report financial performance on a timely basis, which could cause a decline in the price of the Subordinated Voting Shares or harm the Company's ability to raise capital. Failure to accurately report financial performance on a timely basis could also jeopardize the Company's listing on the TSXV. Delisting of the Subordinated Voting Shares would reduce the liquidity of the market for the Subordinated Voting Shares, which would reduce and increase the volatility of the price of the Subordinated Voting Shares.

The Company does not expect that the disclosure controls and procedures and internal control over financial reporting will prevent all errors or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in the Company's reported financial information, which in turn could result in a reduction in the trading price of the Subordinated Voting Shares.

Limited Operating History

The Company has a limited history of operations and will be in an early stage of development as it attempts to create an infrastructure to capitalize on the opportunity for value creation in the cannabis industry. Accordingly, the Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenue. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful and its likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases, the Company may not generate positive cash flow. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Liquidity and Additional Financing

The continued development of the Company, including maintaining its interest in Investees through follow-on investments, may require additional financing. The failure by the Company to raise such capital could result in the delay or indefinite postponement of the current business plan, the decrease in value of such Investee to the Company or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant

dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing obtained in the future could involve restrictive covenants more onerous than those contained in the PharmHouse Credit Agreement relating to financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential investments. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives. Future potential debt financing could impose liquidity covenants on the Company similar to those in the PharmHouse Credit Agreement, which may adversely impact the Company's business model, financial situation and other financial and operational matters.

Equity Price Risk

The Company may be exposed to equity price risk as a result of holding long-term investments in cannabis companies. Just as investing in the Company carries inherent risks, such as those set out herein and in the AIF, the Company faces similar inherent risks by investing in other cannabis companies, and accordingly may be exposed to the risks associated with owning equity securities in the Investees.

Credit and Liquidity Risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to: (i) through Investees that experience financial, operational or other difficulties, including insolvency, which could limit or suspend those Investees' ability to perform their obligations under agreements with the Company or result in the impairment or inability to recover the Company's investment in an Investee; (ii) through financial institutions that may hold the Company's cash and cash equivalents; (iii) through companies that will have payables to the Company; (iv) through the Company's insurance providers; and (v) through the Company's lenders, if any. The Company will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable, including the requirement in the PharmHouse Credit Agreement that the Company maintain available liquidity of $12 million (which may be reduced upon the occurrence of certain events). These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the price of the Subordinated Voting Shares could be adversely affected.

Hedging Risk

The Company may hedge or enter into forward sales of its forecasted right to purchase cannabis. Hedging involves certain inherent risks including: (i) credit risk — the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counterparty is able to offer the Company; (ii) market liquidity risk — the risk that the Company has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and (iii) unrealized fair value adjustment risk — the risk that, in respect of certain hedging products, an adverse change in market prices for cannabis will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates.

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect the Company from adverse changes in price fluctuations, it may also prevent the Company from fully benefitting from positive changes in price fluctuations.