CANOPY RIVERS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED JUNE 30, 2019

Date: August 26, 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 months ended June 30, 2019. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements (the "Interim Consolidated Financial Statements") for the three months ended June 30, 2019, 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 months ended June 30, 2019, and up to and including August 26, 2019.

By their nature, the Interim Consolidated Financial Statements do not include all of the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements for the twelve months ended March 31, 2019, and for the 340 days ended March 31, 2018, and the notes thereto (the "Audited Consolidated Financial Statements"), and the related MD&A for the three and twelve months ended March 31, 2019 (the "Annual MD&A"), dated July 15, 2019.

Additional information including this MD&A, the Interim Consolidated Financial Statements, the Annual MD&A, the Audited 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 Interim 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 August 26, 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 the 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;
- international investment opportunities and the Company’s ability to enter and participate in such opportunities;
- the Company’s expectations with respect to its 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 Investees (as defined herein);
- the Company’s expectations about the growth and future market volatility of the cannabis industry;
- future investments, business activities and 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 that 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 MD&A, 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 were 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 Interim 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 share 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 to 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 exist 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 approximately 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 this initial stage of the regulated adult-use cannabis market, products

[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 expected to be 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 cannabis sales totaled $164.7 million from October 17, 2018, to December 31, 2018, $167.5 million from January 1, 2019, to March 31, 2019, and $160.2 million from April 1, 2019, to May 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, the Ontario government planning to license an additional 50 retail stores, and the Quebec government returning stores 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 that the Canadian market for edibles and alternative cannabis products will 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**: Approved 26 licences for cannabis cultivation and processing facilities
- **Ireland**: Launched a pilot program allowing access to cannabis-based products for medical use
- **Israel**: Legalized the export of medical cannabis
- **Luxembourg**: Confirmed plans to legalize cannabis for adult-use within two years, with the state planning to regulate production and distribution through a cannabis agency and draft legislation expected later this year
- **Mexico:** Parliament created a forum to receive feedback from the public in advance of the expected legalization of cannabis later this year
- **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
- **Thailand**: Received the first batch of legally produced cannabis oil after approving its use for medical purposes in December 2018

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

- **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; New York decriminalized recreational cannabis use and introduced measures to allow those with certain cannabis-related criminal convictions to have their records expunged; proposed federal legislation continues to advance medical cannabis research and access to banking for cannabis companies
- **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, the 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

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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.

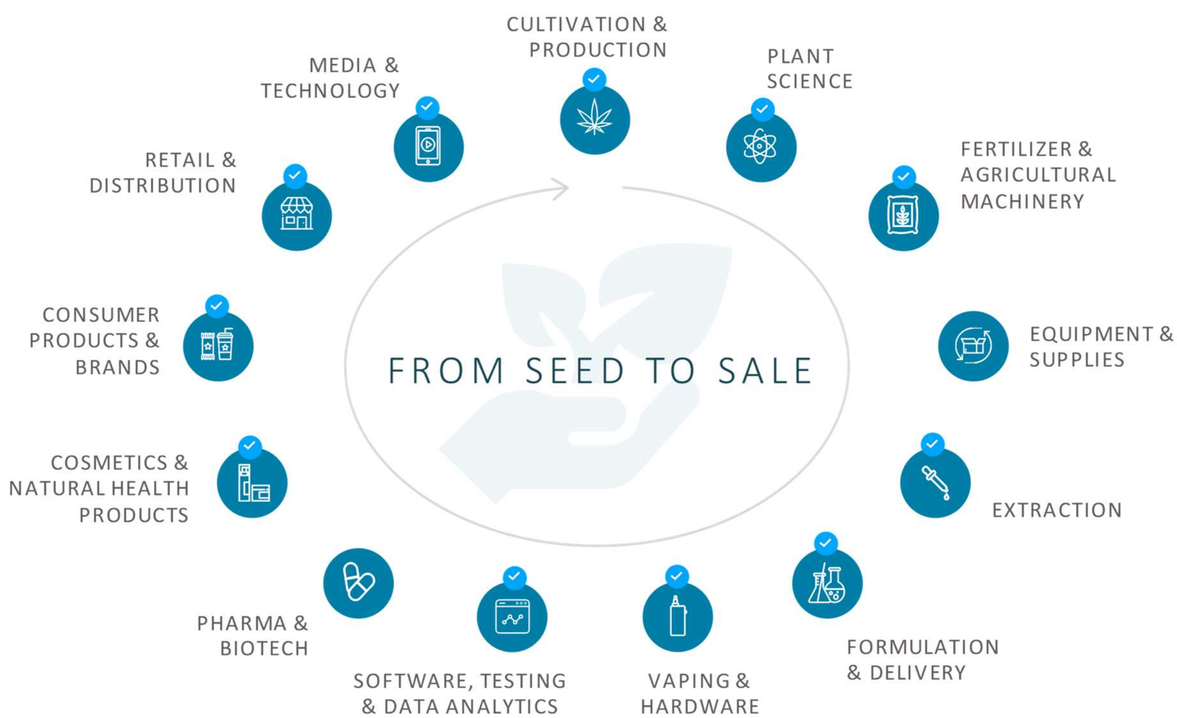
services related to the broader cannabis economy. Ancillary businesses, which may include software and technology platforms, device manufacturers, and plant science innovators, may have the ability to scale more quickly and more efficiently than cannabis cultivators, processors, testers, and retailers 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 preliminary analysis by Deloitte in 2016 suggested that the size of the ancillary cannabis market would be 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 cannabis regulatory reform and capital markets activity, management believes that 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 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 invest by way 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, since the completion of the TerrAscend Arrangement (as defined herein), TerrAscend (as defined herein) 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 the 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.") and several entities in California operating the retail dispensary brand known as "*The Apothecarium*", and entered into a definitive agreement to acquire Ilera Healthcare.

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 to be 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 transactions involving Civilized and Headset (each as defined herein) 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

Financing Activities

Overview of Capital Structure

Prior to the Qualifying Transaction (described below), CRC PrivateCo had two classes of common shares issued and outstanding. Class A common shares (the "Class A Shares") entitled the holder thereof to receive 20 votes at all meetings of the shareholders of CRC PrivateCo, while class B common shares (the "Class B Shares") entitled the holder thereof to receive one vote at all meetings of the shareholders of CRC PrivateCo. 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 Annual 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, 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.

Qualifying 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 effected 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. 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 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, 29,774,857 subscription receipts that had been 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 pursuant to 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 to the shareholders, option holders, and warrant holders of AIM2.

Capital Activity During the Period

There were no financings completed during the three months ended June 30, 2019.

Summary of Historical Financing Activities

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 June 30, 2019, share purchase loans in the amount of $330 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 6,605,551 Subordinated Voting Shares; 3,461,117 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

During the three months ended June 30, 2019, the Company added three Investees to its portfolio. Please refer to the Annual Consolidated Financial Statements, Annual MD&A, AIF, and elsewhere in this MD&A for additional details on the Company's investments prior to March 31, 2019.

Investments Held as at March 31, 2019

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, 2019, the Company entered into a repayable debenture agreement and royalty agreement with Agripharm, and received warrants to purchase common shares of Agripharm.

On April 1, 2019, the Company advanced $3,000 to Agripharm pursuant to the repayable debenture agreement. The Company has committed to advance up to an additional $5,000 pursuant to the repayable debenture agreement, with future amounts advanced pursuant to the repayable debenture agreement converting into royalty interests at predetermined dates. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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, 2019, the Company acquired common shares and warrants of, and entered into a repayable debenture agreement and royalty agreement with, JWC. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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

Eureka

Eureka 93 Inc. (formerly LiveWell Canada Inc.) ("Eureka") is a publicly-traded company listed on the Canadian Securities Exchange ("CSE") under the trading symbol "ERKA". 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, 2019, the Company 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, and acquired common shares of Eureka. The contractual agreements with LiveWell Foods and Artiva have subsequently been terminated.

On April 11, 2019, shareholders approved the amalgamation of LiveWell Canada Inc., Vitality CBD Natural Health Products Inc., 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. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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 has received approval from Health Canada for a production facility expansion project. With this approval, Radicle is expected to have 40,000 square feet dedicated to indoor hydroponic cultivation. Radicle’s products are available for sale through the Ontario Cannabis Store.

Prior to March 31, 2019, the Company acquired common shares of, and entered into a repayable debenture agreement and royalty agreement with, Radicle. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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, 2019, the Company acquired the property in Fredericton, New Brunswick on which Spot operates and entered into a lease agreement for the property with Spot. In addition, the Company 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 Interim 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, 2019, 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”). In connection with the TerrAscend Arrangement, the Company exchanged 19,445,285 common shares of TerrAscend for the same number of new conditionally exchangeable shares in the capital of TerrAscend (the “Exchangeable Shares”). Holders of Exchangeable Shares are not entitled to any voting rights, dividends, or other rights upon the 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) the Company 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. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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, 2019, the Company acquired common shares and class A preferred shares of Vert Mirabel. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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.

Prior to March 31, 2019, the Company entered into a convertible debenture agreement with, and received warrants to purchase class A common shares of, Civilized.

On April 4, 2019, the Company entered into an amending convertible debenture agreement with Civilized, pursuant to which the first date that interest is payable was extended to May 31, 2020, and the number of class A common shares of Civilized into which the debenture is convertible was increased from 397,227 to 456,812. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

PharmHouse

PharmHouse Inc. ("PharmHouse") is a company licensed to cultivate cannabis under the Cannabis Act. PharmHouse is a joint venture between the Company and the principals and operators of a leading North American cultivator and distributor of greenhouse-grown vegetables (the "PharmHouse JV Partner"). PharmHouse owns a newly built 1,300,000 square foot greenhouse in Leamington, Ontario, 190,000 square feet of which is currently being operated 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.

Prior to March 31, 2019, the Company acquired common shares of, and entered into a shareholder loan agreement with, PharmHouse. The Company also issued warrants to, and entered a global non-competition agreement with, the PharmHouse JV Partner. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

PharmHouse has 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 Agreement also contains certain representations and warranties and affirmative covenants applicable to the Company.

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 six 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 the third calendar quarter of 2019, and a strategic portfolio of under construction, leased, and prospective locations.

Prior to March 31, 2019, the Company acquired common shares of YSS.

On June 17, 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. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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.

Prior to March 31, 2019, the Company acquired common shares of Canapar and received a call option to purchase 100% of Canapar's interest in its investees. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

The Company previously provided guidance for Canapar's estimated calendar year 2020 ("CY2020") attributable EBITDA[8] in the range of $20,000 to $30,000. Due to certain factors that may impact the timing and quantum of revenue generation at Canapar, including both regulatory uncertainties and challenges sourcing the required GMP-certified equipment, the Company has determined it is no longer in a position to provide guidance for Canapar's estimated CY2020 attributable EBITDA until it has greater clarity with respect to these items.

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.

Prior to March 31, 2019, the Company acquired preferred shares of Headset. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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 14 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.

Prior to March 31, 2019, the Company entered into a senior secured convertible debenture agreement and unsecured convertible debenture agreement with, and received preferred share purchase warrants of, Greenhouse Juice. The Company also received an incremental warrant entitling it to increase its economic interest in Greenhouse Juice to 51% under certain circumstances.

On May 1, 2019, the Company advanced $3,000 to Greenhouse Juice pursuant to the unsecured convertible debenture agreement. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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.

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[8] Based on Canapar's forecast for CY2020 EBITDA multiplied by the Company's ownership percentage.

Prior to March 31, 2019, the Company acquired preferred shares of Herbert. The Company also received an incremental warrant entitling it to increase its economic interest in Herbert to 51% under certain circumstances. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

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 LeafLink Inc.’s 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 19 cannabis retailers and nine vendors, with further provincial expansion underway.

Prior to March 31, 2019, the Company acquired common shares of LeafLink International. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

New Investments Made During the Three Months Ended June 30, 2019

High Beauty

High Beauty, Inc. (“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 2, 2019, the Company acquired 2,500,000 preferred shares of High Beauty at a price of $1.33 (US$1.00) per preferred share for a total investment of $3,335 (US$2,500), representing an 18% equity interest on a fully diluted basis. As part of the investment, the Company received a warrant to purchase 500,000 preferred shares of High Beauty at a price of US$0.01 per share. The Company has the right to designate 20% of the director nominees to High Beauty’s board of directors. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

BioLumic

BioLumic Ltd. (“BioLumic”) is an agricultural technology company based in New Zealand that has created a sustainable ultraviolet (“UV”) light crop yield enhancement technology. BioLumic’s UV light technology activates natural mechanisms in seeds and seedlings to deliver long-term crop benefits, such as improved crop consistency, increased yield, drought tolerance, and pest and disease 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 April 26, the Company invested $2,024 (US$1,500) in a two-year convertible promissory note of BioLumic. The convertible promissory note bears interest at a rate of 6% per annum and is convertible into common equity of BioLumic upon the occurrence of specified events into an ownership stake representing a 9% equity interest on a fully diluted basis. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

ZeaKal

ZeaKal, Inc. (“ZeaKal”) is a California-based plant science company that has developed a 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 June 14, 2019, the Company acquired 248,473 preferred shares of ZeaKal at a price of $54.28 (US$40.25) per preferred share for a total investment of $13,487 (US$10,000), representing a 9% equity interest on a fully diluted basis. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Summary

Below is a summary of the Company's investments as of June 30, 2019:

Yield Investments					
Investee	**Investment**	**Minimum Capital Committed**	**Estimated Annual Payment(1)**	**Advanced as at June 30, 2019**	**Notes**
Agripharm	Repayable debenture / royalty interest	$12,000 ($20,000 total)	$3,000	$15,000	• $12,000 advanced that is subject to the royalty interest • $3,000 advanced that is subject to the repayable debenture • Agripharm may draw an additional $5,000(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
BioLumic	Convertible promissory note	$2,024	n/a	$2,024	• Amount drawn under the promissory note bears interest at 6% per annum, payable at the maturity date or at the date that a qualified financing occurs • Convertible into 347,999 preferred shares of BioLumic (excluding accrued interest)
Civilized	Convertible debenture	$5,000	n/a	$5,000	• Amount drawn under debenture bears 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
Greenhouse Juice	Secured convertible debenture	$6,000	n/a	$6,000	• Amount drawn under the debenture bears 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	$3,000	• 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	• Amount drawn under the shareholder loan bears 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	• Amount drawn under the debenture bears 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

Yield Investments

Investee	Investment	Minimum Capital Committed	Estimated Annual Payment(1)	Advanced as at June 30, 2019	Notes
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
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 the greater of (a) total minimum draws based on capital committed under various agreements and (b) actual amounts drawn as of the date of this MD&A.
(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	• Represents an approximate <1% equity interest on a fully-diluted basis
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
High Beauty	Preferred shares	$2,867	2,500,000	• Represents an approximate 18% equity interest on a fully-diluted basis
	Warrants	$468	500,000	
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(2)	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	$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	• Represents an approximate 7% equity interest on a fully-diluted basis
ZeaKal	Preferred shares	$13,487	248,473	• Represents an approximate 9% 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) Cost base includes the estimated value of the warrants provided to the PharmHouse JV Partner.

RESULTS OF OPERATIONS

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

	Three Months Ended	
	June 30, 2019	**June 30, 2018**
Summary Operating Results		
Operating income	$ 2,685	$ 744
Operating expenses	5,767	7,347
Net operating loss	(3,082)	(6,603)
Net loss	(2,966)	(6,628)
Other comprehensive loss (net of tax)	(5,784)	(2,371)
Total comprehensive loss	(8,750)	(8,999)
Basic earnings (loss) per share ("EPS")	$ (0.02)	$ (0.05)
Diluted EPS	$ (0.02)	$ (0.05)
Summary Cash Flow Results		
Cash from operating activities	$ (2,788)	$ (874)
Cash from investing activities	(12,731)	(26,077)
Cash from financing activities	86	788
Balance Sheet Data		
Cash	$ 88,750	$ 20,136
Total assets	412,905	232,614
Total liabilities	9,697	41,841
Shareholders' equity	403,208	190,773

The Company reported a net loss of $2,966 and basic and diluted EPS of $(0.02) for the three months ended June 30, 2019, compared with net loss of $6,628 and basic and diluted EPS of $(0.05) for the same period last year. Net loss for the three months ended June 30, 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, and selling general and administrative expenses, offset by income on the Company's shareholder loan receivable and financial assets at fair value through profit or loss ("FVTPL"), as well as positive net changes in the fair value of financial assets at FVTPL.

The Company reported total comprehensive loss of $8,750 for the three months ended June 30, 2019, compared with total comprehensive loss of $8,999 for the same period last year. For both the three months ended June 30, 2019 and 2018, other comprehensive loss was primarily driven by net changes in the fair value financial assets at fair value through other comprehensive income ("FVTOCI").

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 $2,685 for the three months ended June 30, 2019, compared with $744 for the same period last year.

Royalty, interest, and lease income was $2,141 for the three months ended June 30, 2019, compared with $462 for the same period last year. For the three months ended June 30, 2019, this was primarily comprised of royalty and interest income generated from the Company's royalty and debenture agreements with Agripharm, 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 June 30, 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 loss from equity method investees was $968 for the three months ended June 30, 2019, compared with a share of loss of $59 for the same period last year. As noted in the Interim Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. Canapar, Herbert, LeafLink International, 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 June 30, 2019. Radicle represented the Company's only equity method Investee for which a share of loss was recorded for the three months ended June 30, 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 change in fair value of financial assets at FVTPL was an increase of $1,512 for the three months ended June 30, 2019, compared with an increase of $285 for the same period last year. For the three months ended June 30, 2019, the net increase was primarily driven by the change in the fair value of the Company's investment in the Agripharm royalty interest, Greenhouse convertible debenture, and Vert Mirabel preferred shares, offset by the change in the fair value of the Company's investment in the Canapar call option and Civilized convertible debenture and warrants. For the three months ended June 30, 2018, the net increase was primarily driven by the gains upon initial recognition of the Company's investments in Eureka common shares and YSS common shares, offset by the changes in the fair value of the Company's investment in TerrAscend warrants.

Operating Expenses

The Company reported total operating expenses of $5,767 for the three months ended June 30, 2019, compared with $7,347 for the same period last year.

Consulting and professional fees were $492 for the three months ended June 30, 2019, compared with $408 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 that consulting and professional fees will 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 $1,547 for the three months ended June 30, 2019, compared with $185 for the same period last year. These expenses are primarily attributable to salaries and accrued bonuses, marketing and business development, and other administrative activities of the Company. Management anticipates that salaries will increase going forward as the Company continues to build out its management team and employee base, and that other general and administrative expenses will increase going forward due to enhanced public company compliance and regulatory requirements and administrative costs associated with expanding the Company's operations.

Share-based compensation was $3,686 for the three months ended June 30, 2019, compared with $6,754 for the same period last year. As discussed in the Interim 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 June 30, 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.

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 June 30, 2019, was $(866), compared with $(134) for the same period last year. A reconciliation of net income to Adjusted EBITDA is provided in the table below:

Adjusted EBITDA (Non-IFRS Measure)	**Three Months Ended**	
(in CDN $000's)	**June 30, 2019**	**June 30, 2018**
Net loss (as reported)	**$ (2,966)**	**$ (6,628)**
Income tax expense	432	25
Interest expense	10	--
Other expenses (income)	(558)	--
Depreciation expense	42	--
Share-based compensation expense	3,686	6,754
Net increase in fair value on financial assets at FVTPL	(1,512)	(285)
Adjusted EBITDA	**$ (866)**	**$ (134)**

Comprehensive Income

The Company reported total comprehensive loss of $8,750 for the three months ended June 30, 2019, compared with $8,999 for the same period last year.

Net loss was $2,966 for the three months ended June 30, 2019, compared with $6,628 for the same period last year. Included in these amounts are income tax expense of $432 and $25 for the three months ended June 30, 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 change in fair value of financial assets at FVTOCI, net of tax, was a decrease of $5,784 for the three months ended June 30, 2019, compared with a decrease of $2,371 for the same period last year. For the three months ended June 30, 2019, this decrease was primarily driven by the change in the fair value of the Company's investments in Eureka, JWC, and YSS common shares and TerrAscend Exchangeable Shares, partially offset by the change in the fair value of the Company's investment in Vert Mirabel common shares. These changes reflect a broad decline in public company valuations in the cannabis sector during the period. For the three months ended June 30, 2018, the decrease was primarily driven by the change in the fair value of the Company's investments in JWC and TerrAscend common shares, partially offset by the change in the fair value of the Company's investments in Eureka and 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 volatility in the near term.

Cash From Operating Activities

Net cash used in operating activities was $2,788 for the three months ended June 30, 2019, compared with net cash used of $874 for the three months ended June 30, 2018. Net loss for the three months ended June 30, 2019, was $2,966 and included numerous non-cash items, including the Company's share of loss from equity method investees of $968, net increase in fair value of financial assets and liabilities at FVTPL of $1,512, share-based compensation of $3,686, and income tax expense of $432. Net cash used in operating activities for the three months ended June 30, 2019, also reflects a working capital investment of $3,285. For the three months ended June 30, 2018, the Company reported a net loss of $6,628, which included a significant non-cash item in share-based compensation expense of $6,754.

Cash From Investing Activities

Net cash used in investing activities was $12,731 for the three months ended June 30, 2019, compared with $26,077 for the three month period ended June 30, 2018. During the three months ended June 30, 2019, the Company advanced funds pursuant to a pre-existing agreement with Agripharm, completed a follow-on investment in Greenhouse Juice, and made new investments in BioLumic, High Beauty, and ZeaKal. Net cash used in financing activities for the three months ended June 30, 2019, also reflects a $12,000 impact from the reduction of the requirement for the Company to maintain a minimum cash balance pursuant to the PharmHouse Credit Agreement. During the three months ended June 30, 2018, 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 Civilized and YSS.

Cash From Financing Activities

Net cash provided by financing activities was $86 for the three months ended June 30, 2019, compared with $788 for the three months ended June 30, 2018. During the three months ended June 30, 2019 and 2018, net cash provided by financing activities was primarily attributable to the proceeds from the exercise of outstanding stock options.

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 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 ability 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 months ended June 30, 2019, the Company financed its operations and met its capital requirements primarily through proceeds raised from prior equity financings. As at June 30, 2019, working capital was approximately $90,465, primarily attributable to the Company’s cash balance of $88,750.

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 to satisfy working capital, as well as for general corporate purposes. As at June 30, 2019, the Company's contractual commitments are as follows:

Investee	Committed Funds	Timing
Agripharm	$5,000 (1)	On or before December 1, 2022
Greenhouse Juice	$3,000 (2)	Expected in fiscal year ("FY") 2020
Spot	$13,500 (3)	Expected in FY2020

(1) The Company has advanced $15,000 to Agripharm as at June 30, 2019. At Agripharm's option, an additional $5,000 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 purchase up to $3,000 of preferred shares of Greenhouse Juice at a price of $2.16 per share in the event that Greenhouse Juice attains $12,000 of revenue in any preceding twelve-month period.
(3) 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.

Discussion of Market Risk and Credit Risk

The Company's activities expose it to a variety of financial risks, including market risk (i.e. foreign currency risk and interest rate risk) and credit risk.

Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. The Company faces market risk from the impact of changes in foreign currency exchange rates and changes in market prices due to other factors including changes in equity prices. Financial instruments held by the Company that are subject to market risk primarily relate to investments in financial assets. The categories of financial instruments that can give rise to significant variability are described below:

Foreign currency risk

Foreign currency risk is defined for these purposes as the risk that the fair value of a financial instrument held by the Company will fluctuate because of changes in foreign currency rates. The Company has exposure to the U.S. dollar and Euro through its investments in foreign operations. Consequently, fluctuations in the Canadian dollar exchange rate against these currencies increase the volatility of net income (loss) and other comprehensive income (loss). The Company has not entered into any hedging agreements or purchased any financial instruments to hedge its foreign currency risk.

Interest rate risk

Interest rate risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in interest rates. The Company's exposure to interest rate risk only relates to any funding arrangements whereby the Company commits to invest funds in the form of convertible and repayable debentures. The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company currently has no long-term borrowings and is not party to any arrangement involving variable interest rates.

The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments.

Other market risk

The Company holds other financial assets and liabilities in the form of investments in shares, warrants, and options that are measured at fair value and recorded through either net income (loss) or other comprehensive income (loss). The Company is exposed to price risk on these financial assets, which is the risk of variability in fair value due to movements in equity or market prices. Information regarding the fair value of financial instrument assets that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value, is presented in Note 14 of the Interim Consolidated Financial Statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's interest and royalty receivable. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The Company provides credit to counterparties and has established credit evaluation and monitoring processes to mitigate credit risk. As at June 30, 2019, the Company did not have any interest and royalty receivable, other receivables, finance lease receivable, or loan receivable that were past due for over 90 days. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for interest and royalty receivable, other receivables, finance lease receivable, or loan receivable.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 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 issued and outstanding Subordinated Voting Shares on a fully diluted basis (assuming conversion of the Multiple Voting Shares into Subordinated Voting Shares) as of June 30, 2019. Compensation provided to key management personnel includes share-based compensation, salaries and accrued bonuses, and director fees. Share-based compensation for the three months ended June 30, 2019 and 2018, was $772 and $4,975, respectively. Salaries and accrued bonuses for the three months ended June 30, 2019 and 2018, were $435 and $120, respectively. Director fees for the three months ended June 30, 2019 and 2018, were $25 and $nil, respectively.

Transactions with CGC: As at June 30, 2019, the Company has a $173 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 $192 liability as at March 31, 2019. 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 June 30, 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 Interim 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 June 30, 2019, the Company had the following securities issued and outstanding:

	As at June 30, 2019	As at August 26, 2019
Multiple Voting Shares	36,468,318	36,468,318
Subordinated Voting Shares	151,081,576	151,148,243
Stock Options	17,449,707	17,383,040
Warrants	14,409,450	14,409,450

Stock options outstanding as at June 30, 2019, relate to Subordinated Voting Shares and are comprised of the following:

- 3,461,117 seed capital options issued to employees of CGC, which have been paid for by CGC on behalf of the employees;
- 7,882,003 options issued to consultants of the Company and employees of CGC, with exercise prices ranging between $0.60 and $3.50;
- 6,084,000 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 June 30, 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 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 2, 2019, Bruce Linton stepped down as a director and Chairman of the Board. John Bell has since been appointed as Chairman of the Board.

On August 7, 2019, the Company received conditional approval to list the Subordinated Voting Shares on the TSX.

On August 9, 2019, the Company exercised 1,347,826 common share purchase warrants of JWC at an exercise price of $0.46 per share for a total investment of $620. This increased the Company's ownership interest in JWC to 13,860,867 common shares.

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 is 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 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. 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.