

RIV CAPITAL INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

(IN CANADIAN DOLLARS)

RIV CAPITAL INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of RIV Capital Inc.

Opinion

We have audited the consolidated financial statements of RIV Capital Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at March 31, 2022 and March 31, 2021
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of cash flows for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements



RIV Capital Inc.
June 10, 2022

represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is William J. Stephen.

Vaughan, Canada

June 10, 2022

RIV CAPITAL INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| (Expressed in CA \$000's) | Notes | As at March 31, 2022 | As at March 31, 2021 |
|---|-------|----------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | 6 | \$ 398,255 | \$ 127,882 |
| Interest and royalty receivable, net of provision for credit losses | 9 | 857 | 2,608 |
| Income tax receivable | | 11,433 | - |
| Other receivables | | 186 | 460 |
| Prepaid expenses and other assets | | 1,875 | 781 |
| | | 412,606 | 131,731 |
| Finance lease receivable | 7 | - | 2,870 |
| Interest receivable - long term, net of provision for credit losses | 9 | - | 1,612 |
| Right-of-use assets | | 251 | 402 |
| Equity method investees | 8 | 6,575 | 7,366 |
| Financial assets at fair value through profit or loss | 9 | 11,644 | 164,030 |
| Financial assets at fair value through other comprehensive income | 10 | 24,810 | 23,218 |
| Deferred tax asset | 15 | 1,667 | 4,001 |
| Other long-term assets | | 62 | 132 |
| | | 45,009 | 203,631 |
| Total assets | | \$ 457,615 | \$ 335,362 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 4,767 | \$ 2,944 |
| Income tax payable | 15 | - | 17,538 |
| Lease liability - current | | 165 | 156 |
| Financial guarantee liability | 5(b) | - | 3,000 |
| | | 4,932 | 23,638 |
| Convertible note | 12 | 100,453 | - |
| Deferred tax liability | 15 | 21,347 | - |
| Lease liability - non-current | | 99 | 264 |
| | | 121,899 | 264 |
| Total liabilities | | 126,831 | 23,902 |
| Shareholders' equity | | | |
| Share capital | 13 | 242,780 | 240,874 |
| Reserves | | 87,573 | 17,921 |
| Contributed surplus | | 58,859 | 58,859 |
| Deficit | | (58,428) | (6,194) |
| | | 330,784 | 311,460 |
| Total liabilities and shareholders' equity | | \$ 457,615 | \$ 335,362 |
| Commitments and contingencies (Note 18) | | | |
| Subsequent events (Note 20) | | | |

The accompanying notes are an integral part of these consolidated financial statements

RIV CAPITAL INC.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

| (Expressed in CA \$000's, except for per share amounts) | Notes | Year ended | |
|---|-------|--------------------|---------------------|
| | | March 31, 2022 | March 31, 2021 |
| Operating income (loss) | | | |
| Lease income on finance lease receivable | 7 | \$ 114 | \$ 677 |
| Interest income on loans receivable | | - | 2,447 |
| Royalty and interest income on financial assets at fair value through profit or loss | 9 | 1,782 | 10,306 |
| Change in provision for credit losses on interest and royalty receivables | | | |
| PharmHouse | | - | (8,939) |
| Other | 16 | (5,065) | (3,873) |
| Operating income (loss) | | | |
| (before equity method investees and fair value changes) | | (3,169) | 618 |
| Operating expenses | | | |
| General and administrative expenses | | 7,013 | 5,582 |
| Consulting and professional fees | | 1,229 | 1,853 |
| Share-based compensation | 13 | 1,452 | 934 |
| Depreciation and amortization expense | | 221 | 183 |
| Transaction costs | | 4,961 | - |
| Restructuring costs | | - | 6,953 |
| Total operating expenses | | 14,876 | 15,505 |
| Net operating loss | | | |
| (before equity method investees and fair value changes) | | (18,045) | (14,887) |
| Share of loss from equity method investees | | | |
| PharmHouse | | - | (37,025) |
| Other | 8 | (1,604) | (892) |
| Impairment of equity method investees | 8 | (187) | - |
| Net change in fair value of financial assets at fair value through profit or loss | 9 | (43,064) | (16,444) |
| Other PharmHouse-related recovery (charges) | | | |
| Change in provision for credit losses on loans receivable | | - | (53,656) |
| Change in provision for credit losses on financial guarantee liability | 5(b) | 1,935 | (28,000) |
| Gain on disposition of equity method investee | 8 | - | 462 |
| Net operating loss | | (60,965) | (150,442) |
| Other expenses (income) | | | |
| Unrealized foreign exchange gain | | (1,287) | - |
| Accretion and interest expense | 12 | 7,217 | 28 |
| Gain on disposition of finance lease receivable | 7 | (1,103) | - |
| Other expenses (income), net | | (588) | 1,884 |
| Loss before taxes | | (65,204) | (152,354) |
| Income tax recovery | 15 | (12,473) | (18,474) |
| Net loss | | \$ (52,731) | \$ (133,880) |
| Other comprehensive income not subsequently reclassified to net income (loss) | | | |
| Net change in fair value of financial assets at fair value through other comprehensive income, net of tax expense of \$76 (2021 - \$33,475) | 10 | 497 | 201,201 |
| Total comprehensive income (loss) | | \$ (52,234) | \$ 67,321 |
| Loss per share - basic | 19 | \$ (0.37) | \$ (0.72) |
| Loss per share - diluted | 19 | \$ (0.37) | \$ (0.72) |

Comparative information has been amended to align with current year presentation.

RIV CAPITAL INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| (Expressed in CA \$000's) | Notes | Year ended | |
|---|-------|--------------------|-------------------|
| | | March 31, 2022 | March 31, 2021 |
| Cash used in operating activities | | | |
| Net loss | | \$ (52,731) | \$ (133,880) |
| Adjustments for: | | | |
| Income on finance lease receivable | 7 | (114) | (677) |
| Share-based compensation expense | 13 | 1,452 | 934 |
| Share of loss from equity method investees | | | |
| PharmHouse | | - | 37,025 |
| Other | 8 | 1,604 | 892 |
| Impairment of equity method investees | 8 | 187 | - |
| Net change in fair value of financial assets at fair value through profit or loss | 9 | 43,064 | 16,444 |
| Change in provision for credit losses on loans receivable | | - | 53,656 |
| Change in provision for credit losses on financial guarantee liability | 5(b) | (1,935) | 28,000 |
| Gain on disposition of equity method investee | 8 | - | (462) |
| Gain on disposition of finance lease receivable | 7 | (1,103) | - |
| Accretion and interest expense | 12 | 7,217 | 28 |
| Income tax recovery | 15 | (12,473) | (18,474) |
| Unrealized foreign exchange gain | | (1,287) | - |
| Other non-cash expenses | | 220 | 171 |
| Decrease in interest and royalty receivable, net of provision for credit losses | 9 | 1,751 | 7,459 |
| Decrease (increase) in other receivables | | 274 | (44) |
| Increase in prepaid expenses and other assets | | (1,094) | (517) |
| Decrease (increase) in interest receivable - long term | 9 | 1,612 | (688) |
| Decrease in brokerage payments deposit | | - | 833 |
| Increase in accounts payable and accrued liabilities | | 1,831 | 1,207 |
| Net cash used in operating activities before income taxes paid | | (11,525) | (8,093) |
| Income taxes paid | 15 | (16,869) | - |
| Net cash used in operating activities | | \$ (28,394) | \$ (8,093) |
| Cash provided by investing activities | | | |
| Investment in loans receivable | | - | (11,206) |
| Investment in equity method investees | 8 | (1,000) | (1,000) |
| Disposition of equity method investees | 8 | - | 7,000 |
| Investment in financial assets at fair value through profit or loss | 9 | - | (3,748) |
| Disposition of financial assets at fair value through profit or loss | 9 | 106,852 | 53,993 |
| Disposition of financial assets at fair value through other comprehensive income | 10 | 1,451 | 67,704 |
| Payment of financial guarantee liability, net | 5(b) | (1,070) | (25,000) |
| Payments from finance lease receivable | | 95 | 580 |
| Disposition of finance lease receivable | 7 | 3,990 | - |
| Purchase of other long-term assets | | - | (91) |
| Net cash provided by investing activities | | \$ 110,318 | \$ 88,232 |
| Cash provided by financing activities | | | |
| Proceeds from issuance of convertible note | 12 | 188,475 | - |
| Payment of lease principal | | (174) | (174) |
| Proceeds from exercise of stock options and warrants | 13 | 45 | 1,500 |
| Financing costs | 12 | (1,184) | - |
| Shares repurchased under normal course issuer bid | 13 | - | (307) |
| Net cash provided by financing activities | | \$ 187,162 | \$ 1,019 |
| Net increase in cash | | \$ 269,086 | \$ 81,158 |
| Effect of foreign exchange rate movements on cash held | | 1,287 | - |
| Cash, beginning of fiscal period | | 127,882 | 46,724 |
| Cash, end of fiscal period | | \$ 398,255 | \$ 127,882 |

RIV CAPITAL INC.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

| (Expressed in CDN \$000's, except for share amounts) | Number of Multiple Voting Shares | Number of Subordinated Voting Shares | Share capital | Reserves | | Contributed surplus | Deficit | Shareholders' equity |
|--|--|--|-------------------|-----------------------------|---------------------|------------------------|--------------------|-------------------------|
| | | | | Share-based compensation | Convertible note | | | |
| Balance at March 31, 2020 | 36,468,318 | 152,837,131 | \$ 284,646 | \$ 28,288 | \$ - | \$ 58,859 | \$ (73,515) | \$ 298,278 |
| Shares repurchased and cancelled under normal course issuer bid | - | (273,300) | (317) | - | - | - | - | (317) |
| Shares cancelled pursuant to CGC Transaction | (36,468,318) | (15,223,938) | (57,523) | - | - | - | - | (57,523) |
| Repayment of share purchase loans | - | - | 95 | - | - | - | - | 95 |
| Issuance of Subordinated Voting Shares pursuant to repayment of share purchase loans | - | 1,905,559 | 4,679 | (4,679) | - | - | - | - |
| Exercise of options (excluding seed capital options) | - | 2,720,301 | 8,024 | (6,525) | - | - | - | 1,499 |
| Redemption of restricted share units | - | 118,770 | 97 | (97) | - | - | - | - |
| Share-based compensation (seed capital options) | - | - | - | (1,336) | - | - | - | (1,336) |
| Share-based compensation (consultant, and employee and director options) | - | - | - | 1,466 | - | - | - | 1,466 |
| Share-based compensation (restricted share units) | - | - | - | 217 | - | - | - | 217 |
| Share-based compensation (performance share units) | - | - | - | 587 | - | - | - | 587 |
| Deferred tax asset recognition – share issuance costs | - | - | 727 | - | - | - | - | 727 |
| Current tax expense recognition – share issuance costs | - | - | 446 | - | - | - | - | 446 |
| Net loss | - | - | - | - | - | - | (133,880) | (133,880) |
| Other comprehensive income | - | - | - | - | - | - | 201,201 | 201,201 |
| Balance at March 31, 2021 | - | 142,084,523 | \$ 240,874 | \$ 17,921 | \$ - | \$ 58,859 | \$ (6,194) | \$ 311,460 |
| Balance at March 31, 2021 | - | 142,084,523 | \$ 240,874 | \$ 17,921 | \$ - | \$ 58,859 | \$ (6,194) | \$ 311,460 |
| Exercise of options (excluding seed capital options) | - | 97,272 | 341 | (296) | - | - | - | 45 |
| Redemption of performance share units | - | 253,342 | 138 | (138) | - | - | - | - |
| Redemption of restricted share units | - | 157,266 | 169 | (169) | - | - | - | - |
| Deferred tax asset recognition – share issuance costs | - | - | 1,258 | - | - | - | - | 1,258 |
| Share-based compensation (consultant, and employee and director options) | - | - | - | 598 | - | - | - | 598 |
| Share-based compensation (restricted share units) | - | - | - | 312 | - | - | - | 312 |
| Share-based compensation (performance share units) | - | - | - | 542 | - | - | - | 542 |
| Equity component of convertible note, net of tax | - | - | - | - | 68,803 | - | - | 68,803 |
| Net loss | - | - | - | - | - | - | (52,731) | (52,731) |
| Other comprehensive income | - | - | - | - | - | - | 497 | 497 |
| Balance at March 31, 2022 | - | 142,592,403 | \$ 242,780 | \$ 18,770 | \$ 68,803 | \$ 58,859 | \$ (58,428) | \$ 330,784 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

(Expressed in CA\$000's except share amounts)

1. DESCRIPTION OF BUSINESS

RIV Capital Inc. (the "Company" or "RIV Capital") is the parent company of RIV Capital Corporation ("RCC"). RIV Capital is a publicly traded corporation listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "RIV". RIV Capital is an investment and acquisition firm specializing in cannabis. The Company aims to capitalize on the building momentum in the U.S. cannabis market and pursue large investment or acquisition opportunities in established U.S.-based operating businesses.

The Company was incorporated under the name "AIM2 Ventures Inc." ("AIM2") by articles of incorporation pursuant to the Business Corporations Act (Ontario) (the "OBCA") on October 31, 2017. The principal business of the Company at the time of incorporation was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as such term is defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV") Corporate Finance Manual (the "Manual"). On February 14, 2018, AIM2 completed its initial public offering and became a Capital Pool Company (as defined in Policy 2.4 of the Manual) listed on the TSXV under the trading symbol "AIMV.P" (amended on February 21, 2018, to "AIMB.P").

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"). Immediately prior to the Qualifying Transaction, the Company changed its name from "AIM2 Ventures Inc." to "Canopy Rivers Inc."

Prior to completion of the CGC Transaction (as defined herein), the Company was controlled by Canopy Growth Corporation ("CGC"). The Company operated as a venture capital firm specializing in cannabis, identifying strategic counterparties seeking financial and/or operating support, and aimed to provide investor returns through dividends and capital appreciation, while generating interest, lease, and royalty income to finance employee compensation, professional fees, and other general and administrative costs associated with operating the business to generate these returns.

On February 23, 2021, the Company, RCC, CGC, and The Tweed Tree Lot Inc., a wholly-owned subsidiary of CGC ("Tweed Tree Lot"), completed a plan of arrangement under the OBCA pursuant to which, among other things, the Company disposed of certain assets held by RCC in exchange for cash, common shares in the capital of CGC, and the cancellation of all shares in the capital of the Company held by CGC (collectively, the "CGC Transaction"). Following the completion of the CGC Transaction, the Company has a single class of common shares (the "Common Shares"), each of which carries one vote per share, and CGC no longer has any equity, debt, or other interest in the Company. In connection with the closing of the CGC Transaction, the Company changed its name from "Canopy Rivers Inc." to "RIV Capital Inc." and RCC changed its name from "Canopy Rivers Corporation" to "RIV Capital Corporation".

On August 24, 2021, the Company closed the purchase by The Hawthorne Collective Inc. ("The Hawthorne Collective"), a newly-formed cannabis-focused subsidiary of The Scotts Miracle-Gro Company ("ScottsMiracle-Gro"), of a U.S.\$150,000 unsecured convertible promissory note ("Convertible Note I") issued by RIV Capital (the "Initial Hawthorne Investment"). The Initial Hawthorne Investment established RIV Capital as The Hawthorne Collective's preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro).

On March 30, 2022, the Company announced definitive agreements (the "Etain Purchase Agreements") to acquire (the "Etain Acquisition") ownership and control of Etain IP LLC and Etain LLC, owners and operators of legally licensed cannabis cultivation and retail dispensaries in the state of New York, (the "Etain Companies" or "Etain") for U.S.\$247,006 (subject to closing date adjustments) payable through a combination of cash and newly issued Common Shares. The acquisition of the Etain business will be the first step in the execution of the RIV Capital strategy, shifting from an investor in the cannabis value chain to a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. In connection with the Etain Acquisition, The Hawthorne Collective agreed to advance the Company U.S.\$25,000 at the time of the initial closing of the Etain Acquisition (the "Initial Etain Closing") pursuant to rights existing under the Initial Hawthorne Investment. Please refer to Note 20 for further details.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

(Expressed in CA\$000's except share amounts)

2. BASIS OF PRESENTATION**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Company's Board of Directors (the "Board") on June 10, 2022.

Unless otherwise noted, all financial figures are presented in thousands of dollars, except share and per share amounts, and references to "\$" are to Canadian dollars and references to "U.S.\$" are to United States dollars.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for the goods purchased and services provided.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 8, 9, 10, and 16 for fair value considerations.

(c) Basis of preparation

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

(d) Principles of consolidation

The consolidated financial statements represent accounts of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

As at March 31, 2022, the Company controlled the following active legal entities:

- RCC
- 2683922 Ontario Inc.

As at March 31, 2022, the Company did not control any of its other investees.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) Cash and cash equivalents**

Cash represents cash balances held with banks. Cash equivalents are highly liquid investments with original maturities of three months or less.

(b) Financial instruments

The Company applies *IFRS 9, Financial Instruments* ("IFRS 9") in accounting for its financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

(Expressed in CA\$000's except share amounts)

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL or FVTOCI are recognized immediately in the statement of comprehensive income (loss).

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset and the total consideration received is recognized in the statement of comprehensive income (loss).

Financial liabilities are derecognized when obligations under the contract expire, are discharged, or are cancelled. On derecognition of a financial liability, any gain or loss on extinguishment is recognized in the statement of comprehensive income (loss).

The Company accounts for its financial instruments under the following classifications:

| | |
|---|----------------|
| • Cash | Amortized cost |
| • Interest and royalty receivable | Amortized cost |
| • Other receivables | Amortized cost |
| • Finance lease receivable | Amortized cost |
| • Financial assets through profit or loss | FVTPL |
| • Financial assets through other comprehensive income | FVTOCI |
| • Accounts payable and accrued liabilities | Amortized cost |

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortized cost nor FVTOCI are measured at FVTPL.

In certain cases, the Company may make the following irrevocable designation/election at initial recognition of a financial asset, on an asset-by-asset basis:

- The Company may designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor a contingent consideration arising from a business combination to be classified as FVTOCI. Please refer to Note 10 for the investments in equity instruments where the Company has made this designation/election.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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- The Company may designate debt instruments that meet either the amortized cost criteria or the FVTOCI criteria to be classified as FVTPL if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as FVTPL.

A financial asset is classified as held-for-trading if:

- It has been acquired principally for the purpose of selling it in the near term;
- On initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets and liabilities at amortized cost

Cash, interest and royalty receivable, other receivables, finance lease receivable, and accounts payable and accrued liabilities are measured at amortized cost using the effective interest method less any allowance for impairment under the expected credit loss model (described below). Gains and losses are recognized in profit or loss when the assets are derecognized or impaired.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss is included in the "Net changes in fair value of financial assets at fair value through profit or loss" line item (Note 9). Income such as dividends and interest earned on FVTPL financial assets is presented and disclosed separately in the consolidated statement of comprehensive income (loss). Fair value is determined in the manner described in Note 16.

Financial assets at FVTOCI

Financial assets at FVTOCI are measured at fair value at the end of each reporting period. Any fair value gains or losses, net of income taxes, are recognized in other comprehensive income included in retained earnings to the extent they are not part of a designated hedging relationship. Any dividend income earned on financial assets classified as FVTOCI is recognized in profit or loss. Fair value is determined in the manner described in Note 16.

Impairment of financial assets

Expected credit losses ("ECLs") represent a probability-weighted estimate of the present value of expected credit losses, discounted at the effective interest rate. The Company recognizes a loss allowance for ECLs on the following financial instruments that are not measured at FVTPL:

- Interest and royalty receivable
- Other receivables
- Finance lease receivable

No impairment loss is recognized for investments in equity instruments accounted for under IFRS 9.

The quantum of ECLs is updated at each reporting date to reflect changes in the credit risk associated with each respective financial instrument since initial recognition.

Where the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECLs. The ECLs on these financial assets are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to collateral and reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The estimation and application of forward-looking information requires significant judgment. The measurement of ECLs is primarily based on the product of the financial instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). A 12-month PD and lifetime PD are the probabilities of a default occurring over the next 12 months or over the life of a financial instrument, respectively, based on conditions existing at the statement of financial position date and on future economic conditions that have, or will have, an impact on credit risk. LGD reflects the losses expected should default occur and considers such factors as the mitigating effects of collateral and security, the realizable value thereof, and the time value of

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money. EAD is the expected balance owing at default and considers such factors as repayments of principal and interest beyond the statement of financial position date or additional amounts to be drawn over the expected life of the instrument. The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

The gross balance of a financial asset is written-off, and its corresponding ECL provision is derecognized, when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off when due. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made would be recognized in profit or loss at the time of recovery.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL, except for commitments to provide a loan at a below-market interest rate.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost are accounted for using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial liability to the amortized cost of a financial liability. The Company measures its accounts payable and accrued liabilities at amortized cost.

Compound Financial Instruments

Compound financial instruments are instruments that contain both a financial liability (such as an obligation to make payments of principal and interest) and an equity component (such as an equity conversion feature). Compound financial instruments are accounted for by the issuer separately by their components.

Where the conversion option stipulates the issuance of a fixed number of an entity's own equity instruments, the financial liability component, which represents the obligation to pay principal and coupon interest on the convertible instrument in the future, is initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method. The residual amount is accounted for as an equity instrument and is measured on the date of issuance as the difference between the fair value of the compound financial instrument and the fair value of the financial liability component. The equity component is not remeasured subsequent to initial recognition. On conversion or expiry, the carrying value of the equity component is transferred to share capital or contributed surplus, as applicable.

Where the conversion option stipulates the issuance of a variable number of an entity's own equity instruments, the conversion option is recognized as a derivative liability measured at fair value through profit or loss. The residual amount is recognized as a financial liability and is subsequently measured at amortized cost.

Transaction costs directly attributable to the compound financial instrument are allocated to the underlying components in proportion to their initial carrying amounts.

Accretion and interest expense related to the financial liability component is recognized in the statement of comprehensive income (loss) over the term to maturity using the effective interest rate. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(c) Investments in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies. The Company accounts for its in-substance equity investments in associates using the equity method of accounting. Investments in associates, such as convertible debentures, that do not meet the criteria of in-substance equity instruments are accounted for in accordance with the nature of the instrument.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is subsequently adjusted to recognize changes in the Company's share of net assets of the

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associate since the acquisition date. To the extent that it exists, goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of comprehensive income (loss) reflects the Company's share of the results of operations of its associates. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is presented in profit or loss in the statement of comprehensive income (loss) and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Company determines whether it is necessary to recognize any impairment losses on its investments in its associates. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, if any, and then recognizes the impairment charge within "Impairment of equity method investees" in the statement of comprehensive income (loss). The recoverable amount is the greater of the associate's value in use and fair value less costs of disposal ("FVLCD"). Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets, discounted to present value using a suitable discount rate.

Upon loss of significant influence over an associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment (plus proceeds from disposal, if any) is recognized in profit or loss.

(d) Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in a joint venture are accounted for using the equity method and are initially recognized at cost.

The Company's share of its joint venture's post-acquisition profits or losses is recognized in profit or loss in the statement of comprehensive income (loss) and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment. If the Company's share of losses of a joint venture equals or exceeds the carrying amount of its interest in the joint venture, the Company does not provide for additional losses, unless it has incurred obligations or made payments on behalf of the joint venture.

At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss in "Impairment of equity method investees" in the statement of comprehensive income (loss).

(e) Foreign currency translation

All figures presented in the consolidated financial statements and the notes related thereto are reflected in Canadian dollars, which is the functional currency of the Company and its active subsidiaries.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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The assets and liabilities of foreign operations are translated into Canadian dollars at period-end exchange rates. Exchange differences resulting from translating investments in foreign operations, including investments in foreign associates, are recognized in other comprehensive income and accumulated in equity.

(f) Leases

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a specified period in exchange for consideration. When the Company leases assets from third parties, the Company is the lessee. When the Company leases assets to third parties, the Company is the lessor.

Lessee

At the lease commencement date, a right-of-use asset for the underlying leased asset and corresponding lease liability are recognized in the statement of financial position measured on a present value basis. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses its incremental borrowing rate, which is the interest rate that the Company would pay to borrow funds to obtain an asset of a similar value to the right-of-use asset with a comparable security, economic environment, and term.

The right-of-use asset is included within "Right-of-use assets" and the lease liability is included in "Lease liability – current" and "Lease liability – non-current" within the statement of financial position. Right-of-use assets are measured based upon a number of factors, including:

- the initial amount of the lease liability; and
- lease payments made at or before the commencement date.

Lease liabilities are measured as the present value of non-cancellable payments over the lease term, which may include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate (including inflation-linked payments);
- amounts expected to be payable by the lessee under residual value guarantees;
- exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option.

Where exercise of renewal or termination options is deemed reasonably certain, such assumptions are reflected in the valuation of the lease right-of-use asset and liability. The reasonably certain assessment is made at the lease commencement date and re-assessed if there is a material change in circumstances supporting the assessment.

Lease payments are apportioned between the liability and a finance charge, which is reported within "Interest expense" in the statement of comprehensive income (loss). The right-of-use asset is depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis and presented within "Depreciation and amortization expense" in the statement of comprehensive income (loss).

The Company's only applicable lease is a property lease, for which fixed payments covering principal lease payments are included in the value of the right-of-use assets and lease liabilities. Non-lease components such as maintenance costs, property tax, and operating expenses are expensed as incurred within "General and administrative expenses" in the statement of comprehensive income (loss).

Payments for leases with a term of 12 months or less and low-value leases, if any, are recognized on a straight-line basis within "General and administrative expenses" in the consolidated statement of comprehensive income (loss) and are not recognized prior to accrual in the statement of financial position.

Lessor

Lessor arrangements are classified as finance leases when substantially all of the risks and rewards of the underlying asset transfer to the lessee. A receivable, equal to the net investment in the lease, is recognized on the consolidated statement of financial position at the commencement date with an offset to the underlying asset. The receivable is measured as the present value of non-cancellable payments to be received by the Company over the lease term. The payments are discounted using the interest rate implicit in the lease, if this

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can be readily determined, or at the Company's incremental borrowing rate, if the implicit rate cannot be determined. A gain or loss is recorded in "Other expenses (income), net" within the statement of comprehensive income (loss) for the difference between the carrying value of the underlying asset and the lease receivable. Lease payments are apportioned between the lease receivable and finance income, which is reported within "Lease income on finance lease receivable" in the statement of comprehensive income (loss).

When the Company retains the risks and rewards of the underlying asset, the arrangement is classified as an operating lease. Payments received under operating leases are recognized as income on a straight-line basis over the lease term. The carrying value of the underlying asset is retained on the consolidated statement of financial position and amortized over the remaining term, determined as the shorter of the estimated useful life of the asset or the remaining lease term.

(g) Income taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

(h) Share-based compensation

The Company measures equity-settled share-based payments based on their fair value at the deemed grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

(i) Segment information

The Company's chief operating decision maker is represented by key management personnel. For management purposes, during the year ended March 31, 2022, the Company was organized into one main operating segment, which invested in entities in the cannabis space and sought to provide investor returns through dividends, interest, rent, royalties, and capital appreciation. All of the Company's activities and resources were interrelated and allocated collectively to pursue this business purpose. Accordingly, all significant operating decisions were based upon an analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

(j) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method of calculating the weighted average number of common shares outstanding. The treasury stock method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period.

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(k) New accounting pronouncements

The following new interpretations and amendments have been issued and are applicable for future annual reporting periods. The list includes standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective and does not expect the standards to have a material impact on the consolidated financial statements.

Amendments to IAS 37, Onerous Contracts

In May 2020, the IASB issued 'Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

Amendments to IFRS 3, Business Combinations

The IASB has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual periods beginning on or after January 1, 2022.

Amendments to IAS 12, Deferred Taxes

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of certain recognition exceptions so that they no longer apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at that date. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 8, Accounting Estimates

On February 12, 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)', which introduces a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

Certain other new accounting standards, amendments, and interpretations have been published that are not mandatory for the current period and have not been early adopted by the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Company uses market-observable data to the extent it is available. Where such "Level 1" inputs are not available, the Company uses various valuation models to determine the fair value of its financial instruments that maximize that use of observable inputs and minimize the use of unobservable inputs.

In certain limited circumstances, the Company may consider cost to be an appropriate estimate of the fair value of an investment in equity instruments, such as when more recent information is not available or insufficient to measure fair value or there is a wide range of possible fair value measurements and cost represents the best

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estimate within that range. The Company uses all information about the performance and operations of the investee that becomes available after initial recognition of the financial asset to consider whether there are indicators that cost might not be representative of fair value, including significant changes in performance compared to plans or comparable entities, changes in the market or economy, or evidence from external transactions in the investee's equity.

When estimating the fair value of warrants held in private entities using a Black-Scholes option pricing model, the Company estimates the expected annual volatility based upon observed historical volatility for comparable public companies.

The identification of the components embedded within a convertible instrument requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The determination of fair value is also an area of significant judgement subject to various inputs, assumptions, and estimates, including, but not limited to, contractual future cash flows, discount rates, credit spread volatility, probabilities of the occurrence and timing of potential future events, the presence of any derivative financial instruments, and equity price volatility.

Please refer to Notes 8, 9, 10, and 16 for additional details on the Company's fair value measurement.

Impairment

Investments in associates and joint ventures are tested for impairment when there are indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

The impairment assessment in respect of an investment in a joint venture or associate (equity-accounted investees) comprises two successive steps, as follows:

1. Apply the equity method to recognize the investor's share of any impairment losses for the investee's identifiable assets.
2. When there is an indication of a possible impairment, test the investment as a whole and recognize any additional impairment loss.

In determining the recoverable amount of an investment in an associate or joint venture, various estimates are employed. The Company determines recoverable amounts using such estimates as multiples for comparable operating companies for which public information is available, adjusted book values of the investee's assets and liabilities, and projected future cash flows, including pricing and production estimates, and capital investment. When projected future cash flows are considered, the Company estimates discount rates based upon external industry information reflecting the risk associated with the specific cash flows.

Share-based compensation

In calculating share-based compensation expense, key estimates (such as the expected life of the options and the volatility of the Company's stock price) are used.

Please refer to Note 13 for additional details on the Company's measurement of share-based payments.

5. PHARMHOUSE

PharmHouse Inc. ("PharmHouse"), a joint venture formed on May 7, 2018, between the Company and 2615975 Ontario Limited (the "PharmHouse Majority Shareholder"), was a company formerly licensed to cultivate cannabis under the Cannabis Act.

a) CCAA Proceedings

On May 14, 2021, PharmHouse, through its Sale and Investor Solicitation Process ("SISP"), closed the sale of its greenhouse facility pursuant to the PharmHouse Asset Purchase Agreement (the "PharmHouse Sale").

On June 23, 2021, PharmHouse received approval from the Ontario Superior Court of Justice (Commercial List) (the "Court") to terminate its creditor protection under the Companies' Creditors Arrangement Act ("CCAA") proceedings (the "CCAA Proceedings") upon the monitor filing a certificate that all remaining activities in the

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CCAA Proceedings have been completed, including the payment of the remaining funds to the Company and the filing of an assignment into bankruptcy of PharmHouse.

On September 9, 2021, the monitor filed the CCAA termination certificate and PharmHouse was assigned into bankruptcy pursuant to the Bankruptcy and Insolvency Act. In connection with the termination of the CCAA Proceedings and assignment into bankruptcy, the Company received a final distribution from PharmHouse of \$6,465 (the "Final PharmHouse Distribution"). The receipt of the Final PharmHouse Distribution concluded the Company's relationship with PharmHouse in all material respects.

b) PharmHouse Guarantee

Prior to March 31, 2021, PharmHouse entered a syndicated credit agreement (as amended, the "PharmHouse Credit Agreement") with a number of Canadian banks (the "Lenders") for a committed, non-revolving credit facility with a maximum principal amount of \$90,000 (the "PharmHouse Credit Facility"), which was fully drawn. The obligations of PharmHouse under the PharmHouse Credit Facility were secured by guarantees of the Company and RCC, and a pledge by RCC of all of the shares of PharmHouse held by it (the "PharmHouse Guarantee"). During the year ended March 31, 2021, the Company determined that the recoverable amount of PharmHouse's assets would be less than the principal amount owed by PharmHouse to the Lenders pursuant to the PharmHouse Credit Facility. Accordingly, during the year ended March 31, 2021, the Company recognized a change in provision for expected credit losses on the PharmHouse Guarantee of \$28,000 on its statement of comprehensive income (loss). Furthermore, on March 16, 2021, the Company made a payment to the Lenders of \$25,000 (the "First Guarantee Payment"). Accordingly, as at March 31, 2021, the Company recognized a financial guarantee liability on its statement of financial position of \$3,000.

Concurrent with the closing of the PharmHouse Sale described above, the Company made a second payment to the Lenders of \$7,535 (the "Second Guarantee Payment"). Accordingly, as at June 30, 2021, the Company had made payments of \$32,535 to the Lenders in respect of its obligations pursuant to the PharmHouse Guarantee. The net proceeds received from the PharmHouse Sale, when combined with the First Guarantee Payment and the Second Guarantee Payment, among other items, satisfied all obligations outstanding pursuant to the PharmHouse Credit Facility, and thus the PharmHouse Credit Facility was terminated and cancelled.

As noted above, in connection with the termination of the CCAA Proceedings on September 9, 2021, the Company received the Final PharmHouse Distribution, which is combined with the Second Guarantee Payment and presented on the Company's consolidated statement of cash flows on a net basis. Accordingly, during the year ended March 31, 2022, the Company made net payments of \$1,070 in respect of the PharmHouse Guarantee (determined as the difference between the Second Guarantee Payment and the Final PharmHouse Distribution).

During the year ended March 31, 2022, the Company recognized a recovery in the provision for expected credit losses on the PharmHouse Guarantee of \$1,935, (year ended March 31, 2021 – expense of \$28,000) after derecognizing the PharmHouse Guarantee liability, which was estimated to be \$3,000 as at March 31, 2021, and recognizing the Final PharmHouse Distribution.

c) Statement of claim

As at March 31, 2022, the Company was informed that the statement of claim received by the Company on February 10, 2021, as disclosed in the consolidated financial statements for the years ended March 31, 2021, and 2020 (the "Revised Claim") was discontinued by the PharmHouse Majority Shareholder. As at March 31, 2022, no further action had been taken in respect of the Revised Claim.

6. CASH

As at March 31, 2022, the Company's cash balance included cash deposits of \$178,843 that carry certain restrictions pursuant to the Initial Hawthorne Investment. Please refer to Note 12 for further details on use of proceeds from the Initial Hawthorne Investment.

During the year ended March 31, 2022, the Company recognized an unrealized gain on foreign-denominated cash deposits of \$1,287 (year ended March 31, 2021 – \$nil).

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7. FINANCE LEASE RECEIVABLE

In August 2017, the Company acquired a building located in New Brunswick, Canada. The building was leased to Tweed Tree Lot, formerly Spot Therapeutics Inc., a company that was licensed to cultivate cannabis under the Cannabis Act and wholly-owned subsidiary of CGC, under a financing lease agreement for a period of 20 years commencing on October 6, 2017, for an aggregate total of minimum payments due of \$14,773.

On June 2, 2021, the Company closed a definitive purchase and sale agreement with Tweed Tree Lot to sell the property in exchange for cash consideration of \$3,990 (net of transaction costs). At the time of disposition, the finance lease receivable had a carrying amount of \$2,887. Accordingly, during the year ended March 31, 2022, the Company recognized a gain on disposition of the finance lease receivable of \$1,103 (year ended March 31, 2021 – \$nil). With the sale of the property and corresponding termination of the lease agreement, the Company no longer has any agreements with Tweed Tree Lot.

| | As at March 31, 2022 | As at March 31, 2021 |
|--------------------------------------|----------------------------|----------------------------|
| Non-current finance lease receivable | \$ - | \$ 2,870 |
| Total | \$ - | \$ 2,870 |

During the year ended March 31, 2022, the Company recognized income on the finance lease receivable of \$114 (year ended March 31, 2021 – \$677).

8. INVESTMENTS IN ASSOCIATES

Associates are entities over which the Company exercises significant influence. The Company assesses each instrument underlying its investments in associates for appropriate accounting treatment.

Details of each of the Company's associates at the end of the reporting period are as follows:

| Name of Associate | Intended Principal Activity | Nature of Investment | Place of Principal Business | Method of Accounting | Note | March 31, 2022 Ownership Interest (Non-Diluted) |
|-------------------|--|-----------------------------|-----------------------------|----------------------|------|---|
| NOYA | Vertically-integrated cannabis operations | Common shares | Canada | Equity method | 8(a) | 25% ⁽ⁱ⁾ |
| | | Royalty interest | | FVTPL | 9(b) | |
| | | Convertible debenture | | FVTPL | 9(b) | |
| | | Warrants | | FVTPL | 9(b) | |
| Greenhouse Juice | Plant-based beverage production and distribution | Preferred shares | Canada | Equity method | 8(b) | 16% ⁽ⁱⁱ⁾ |
| | | Convertible debenture | | FVTPL | 9(d) | |
| | | Warrant | | FVTPL | 9(d) | |
| LeafLink Intl. | B2B supply chain and marketplace technology platform | Common shares | Canada | Equity method | 8(d) | 17% ⁽ⁱⁱⁱ⁾ |
| High Beauty | Cannabis beauty brands production and distribution | Preferred shares | United States | Equity method | 8(e) | 17% ^(iv) |
| | | Convertible promissory note | | FVTPL | 9(f) | |
| | | Warrants | | FVTPL | 9(f) | |

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- (i) The Company owns 24% of the equity of NOYA on a fully diluted basis and has the right to designate 20% of the director nominees.
- (ii) The Company owns 29% of the equity of Greenhouse Juice on a fully diluted basis (excluding the control warrant, discussed below) and has the right to designate 20% of the director nominees.
- (iii) The Company owns 17% of the equity of LeafLink Intl. on a fully diluted basis and has the right to designate 33% of the director nominees.
- (iv) The Company owns 18% of the equity of High Beauty on a fully diluted basis and has the right to designate 20% of the director nominees.

As identified above, only certain investments in associates are accounted for using the equity method. The following tables outline changes in the Company's equity method investees for the years ended March 31, 2022, and 2021.

| Entity ⁽¹⁾ | Balance at Apr. 1, 2021 | Additions | Share of loss | Proceeds of disposition | Gain on disposition | FX loss | Impairment | Balance at Mar. 31, 2022 |
|-----------------------|-------------------------|-----------------|-------------------|-------------------------|---------------------|-------------|-----------------|--------------------------|
| NOYA | \$ 2,934 | \$ - | \$ (649) | \$ - | \$ - | \$ - | \$ - | \$ 2,285 |
| LeafLink Intl. | 2,293 | - | (193) | - | - | - | - | 2,100 |
| Greenhouse Juice | 2,139 | 1,000 | (762) | - | - | - | (187) | 2,190 |
| Total | \$ 7,366 | \$ 1,000 | \$ (1,604) | \$ - | \$ - | \$ - | \$ (187) | \$ 6,575 |

⁽¹⁾ As at March 31, 2022, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was \$nil at both the beginning and the end of the reporting period.

| Entity | Balance at Apr. 1, 2020 | Additions ⁽¹⁾ | Share of income / (loss) | Proceeds of disposition | Gain on disposition | FX loss | Impairment | Balance at Mar. 31, 2021 |
|---------------------------|-------------------------|--------------------------|--------------------------|-------------------------|---------------------|----------------|-------------|--------------------------|
| NOYA ⁽²⁾ | \$ 1,937 | \$ - | \$ 997 | \$ - | \$ - | \$ - | \$ - | \$ 2,934 |
| PharmHouse ⁽³⁾ | 37,025 | - | (37,025) | - | - | - | - | - |
| Canapar | 8,500 | - | (962) | (8,000) | 462 | - | - | - |
| Herbert | 100 | - | (100) | - | - | - | - | - |
| LeafLink Intl. | 2,481 | - | (188) | - | - | - | - | 2,293 |
| High Beauty | 500 | - | (478) | - | - | (22) | - | - |
| Greenhouse Juice | - | 2,300 | (161) | - | - | - | - | 2,139 |
| Total | \$ 50,543 | \$ 2,300 | \$ (37,917) | \$ (8,000) | \$ 462 | \$ (22) | \$ - | \$ 7,366 |

⁽¹⁾ Additions include the conversion of financial assets previously measured at FVTPL.

⁽²⁾ The Company's share of income relating to its investment in NOYA noted above includes an adjustment of \$1,346 related to NOYA's 2019 financial statement audit.

⁽³⁾ The Company's share of loss relating to its investment in PharmHouse includes an impairment charge on the carrying value of PharmHouse's underlying assets. Please refer to the consolidated financial statements for the years ended March 31, 2021, and 2020, for additional information.

The summarized financial information set out below represents amounts shown in the associates' financial statements prepared in accordance with IFRS (adjusted by the Company for accounting purposes). In accordance with IAS 28, the Company has elected to account for its investments in associates one quarter in arrears. The amounts presented account for any significant transactions that have occurred since the indicated reporting period end.

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| As at and for the year ended March 31, 2022 | | | | | | | |
|---|-----------------------------|----------------|--------------------|---------------------|-------------------------|-----------|----------|
| Entity | Applicable reporting period | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenue | Loss |
| NOYA | Dec. 31, 2021 | \$ 13,607 | \$ 8,923 | \$ 10,515 | \$ 8,479 | \$ 11,597 | \$ (663) |
| LeafLink Intl. | Dec. 31, 2021 | 1,155 | 11,874 | 412 | - | 57 | (1,157) |
| High Beauty | Dec. 31, 2021 | 662 | 285 | 6,932 | 1,137 | 697 | (2,617) |
| Greenhouse Juice | Dec. 31, 2021 | 3,076 | 11,575 | 14,934 | 11,836 | 13,579 | (4,975) |

| As at and for the year ended March 31, 2021 | | | | | | | |
|---|-----------------------------|----------------|--------------------|---------------------|-------------------------|----------|------------|
| Entity ⁽¹⁾⁽²⁾ | Applicable reporting period | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenue | Loss |
| NOYA | Dec. 31, 2020 | \$ 8,016 | \$ 8,379 | \$ 2,629 | \$ 10,469 | \$ 6,927 | \$ (1,683) |
| LeafLink Intl. | Dec. 31, 2020 | 2,222 | 11,880 | 327 | - | 17 | (1,149) |
| High Beauty | Dec. 31, 2020 | 1,082 | 137 | 774 | 4,537 | 974 | (3,546) |
| Greenhouse Juice | Dec. 31, 2020 | 1,906 | 9,850 | 4,161 | 17,435 | 2,683 | (1,480) |

⁽¹⁾ The table above does not reflect the financial position and operating results of PharmHouse. Please refer to Note 5 for additional details regarding material events that occurred at PharmHouse during the year ended March 31, 2021.

⁽²⁾ The table above does not reflect the financial position and operating results of Herbert. The financial position and operating results of Herbert are not material to the Company.

The Company assessed its investments in associates for indicators of impairment as at March 31, 2022, and 2021, and determined that indicators were present for Greenhouse Juice as at March 31, 2022. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

Greenhouse Juice

As at March 31, 2022, the Company determined that there were indicators of impairment present for its equity investment in Greenhouse Juice.

The Company first applied the equity method to determine the carrying value of its investment in Greenhouse Juice preferred shares, and then performed impairment testing in accordance with *IAS 36, Impairment of Assets*. The recoverable amount of its investment in Greenhouse Juice preferred shares was determined by estimating FVLCD (based upon a market-based approach to value using Level 3 inputs). Significant assumptions applied in the determination of the recoverable amount include the estimated value of Greenhouse Juice preferred equity on a per share basis. The estimated per share value was derived based upon indications of interest received by Greenhouse Juice from third parties and was corroborated with reference to market-based multiples applied to Greenhouse Juice's operating results to derive the implied enterprise and equity value of the company.

As a result of the impairment test, the Company concluded that the carrying value of its equity investment in Greenhouse Juice was higher than its recoverable amount and recognized an impairment charge of \$187 for the year ended March 31, 2022 (year ended March 31, 2021 – not applicable). The Company allocated the impairment charge to the equity investment in Greenhouse Juice as a whole.

a) NOYA

NOYA Cannabis Inc. (formerly Radicle Medical Marijuana Inc.), a wholly-owned subsidiary of NOYA Holdings Inc. (formerly of Radicle Cannabis Holdings Inc.) (together, "NOYA"), is a company licensed to cultivate, process, and sell cannabis and cannabis oils under the Cannabis Act.

As at March 31, 2022, the Company owned 17,588,424 common shares of NOYA (March 31, 2021 – 17,588,424 common shares), representing a 25% equity interest on a non-diluted basis. The Company had not yet received

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any distributions on account of its common share investment in NOYA. The Company had also advanced \$1,000 to NOYA pursuant to a convertible debenture and owned common share purchase warrants. Together, the Company's investments represented a 24% equity interest in NOYA on a fully diluted basis as at March 31, 2022.

The convertible debenture and warrants are accounted for at FVTPL. Please refer to Note 9(b) for additional details on the Company's investment in NOYA.

b) Greenhouse Juice Company

Greenhouse Juice Company, legally 10831425 Canada Ltd. ("Greenhouse Juice"), is an organic, plant-based beverage producer and distributor.

On July 15, 2021, due to the achievement of certain revenue targets by Greenhouse Juice that triggered a mandatory exercise, the Company exercised its remaining 924,582 preferred share purchase warrants of Greenhouse Juice for an aggregate purchase price of \$1,000.

As at March 31, 2022, the Company owned 3,830,412 preferred shares of Greenhouse Juice (March 31, 2021 – 2,905,830), representing a 16% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its preferred share investment in Greenhouse Juice. The Company had also advanced \$6,000 to Greenhouse Juice pursuant to a secured convertible debenture agreement (March 31, 2021 – \$6,000). The Company also owned an additional control warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51%.

During the year ended March 31, 2022, the Company assessed the carrying value of its preferred share investment in Greenhouse Juice against the estimated recoverable amount, and as a result, recognized an impairment charge of \$187, which has been recognized in the consolidated statement of comprehensive income (loss) (year ended March 31, 2021 – not applicable).

The secured convertible debenture and control warrant are accounted for at FVTPL. Please refer to Note 9(d) for additional details on the Company's investment in Greenhouse Juice.

c) Herbert

Herbert Works, legally 10663522 Canada Inc. ("Herbert"), is an early-stage beverage brand platform licensed to conduct research and development activities under the Cannabis Act.

On September 28, 2021, the Company entered into a share transfer agreement pursuant to which the Company transferred its 4,074,074 preferred shares of Herbert to Greenbud Holdings Inc. for nominal consideration and agreed to cancel its previously-held control warrant. Accordingly, as at March 31, 2022, the Company did not own any financial assets in Herbert.

Prior to the transfer, as a result of previously-recognized impairment charges and Herbert's cumulative net losses, the carrying value of the Company's investment in Herbert preferred shares had already been reduced to \$nil. As such, no gain or loss was recognized on disposition.

d) LeafLink Intl.

LeafLink Services International ULC ("LeafLink Intl.") is a venture that exclusively licenses business-to-business ("B2B") marketplace and supply chain technology from LeafLink Inc., a U.S.-based company, for deployment throughout regulated international cannabis markets (i.e. excluding the U.S.).

As at March 31, 2022, the Company owned 2,000,000 common shares of LeafLink Intl. (March 31, 2021 – 2,000,000), representing a 17% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its common share investment in LeafLink Intl.

e) High Beauty

High Beauty Inc. ("High Beauty") is a producer and distributor of cannabis-based beauty products, including the brands *high* and *CanBE Naturally*.

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As at March 31, 2022, the Company owned 2,500,000 preferred shares of High Beauty (March 31, 2021 – 2,500,000), representing a 17% equity interest on a non-diluted basis. The Company had not yet received any distributions on account of its preferred share investment in High Beauty. The Company had also advanced \$1,009 to High Beauty pursuant to a senior secured convertible promissory note and owned preferred share purchase warrants. Together, the Company's investments represented an 18% equity interest in High Beauty on a fully diluted basis as at March 31, 2022.

As at March 31, 2022, as a result of previously-recognized impairment charges and High Beauty's cumulative net losses, the carrying value of the Company's investment in High Beauty preferred shares had been reduced to \$nil.

The senior secured convertible promissory note and warrants are accounted for at FVTPL. Please refer to Note 9(f) for additional details on the Company's investment in High Beauty.

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9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following tables outline changes in financial assets measured at FVTPL for the years ended March 31, 2022, and 2021:

| Year ended March 31, 2022 | | | | | | | | | |
|---------------------------|---|------|-------------------------------|-------------------------------|-----------------------------------|--|--------------------------------|---|---|
| Entity ⁽¹⁾ | Instrument | Note | Balance at Apr. 1, 2021 | Addi- tions ⁽²⁾ | Net change in fair value | Conver- sions / disposi- tions ⁽³⁾ | Balance at Mar. 31, 2022 | Dividend / interest / royalty income | Dividend / interest / royalty receiv- able ⁽⁴⁾ |
| Agripharm | Royalty interest | 9(a) | \$ 5,100 | \$ - | \$ (2,100) | \$ - | \$ 3,000 | \$ 45 | \$ - |
| NOYA | Royalty interest | 9(b) | 4,000 | - | (800) | - | 3,200 | 891 | 747 |
| NOYA | Convertible debenture | 9(b) | 840 | - | - | - | 840 | 120 | 105 |
| NOYA | Warrants | 9(b) | 40 | - | (40) | - | - | - | - |
| Canapar | Contingent consider- ation | 9(c) | 1,000 | - | 1,000 | (2,000) | - | - | - |
| RAMM | Common shares | 9(c) | - | 2,000 | (1,449) | (37) | 514 | - | - |
| Greenhouse Juice | Secured convertible debenture | 9(d) | 5,600 | - | (2,290) | - | 3,310 | 726 | - |
| Greenhouse Juice | Warrant | 9(d) | 20 | - | (20) | - | - | - | - |
| High Beauty | Convertible promissory note | 9(f) | 970 | - | (380) | - | 590 | - | - |
| BioLumic | Second convertible promissory note | 9(g) | 650 | - | 220 | (870) | - | - | - |
| Dynaleo | Warrants | 9(h) | 810 | - | (620) | - | 190 | - | - |
| Headset | Convertible promissory note | 9(i) | 1,100 | - | 500 | (1,600) | - | - | - |
| CGC | Common shares | 9(j) | 143,900 | - | (37,085) | (106,815) | - | - | - |
| PharmHouse | Distribution rights | 9(k) | - | 6,470 | - | (6,470) | - | - | - |
| Total | | | \$ 164,030 | \$ 8,470 | \$(43,064) | \$(117,792) | \$ 11,644 | \$ 1,782 | \$ 852 |

⁽¹⁾ As at March 31, 2022, the Company also owned a convertible debenture and common share purchase warrants of Civilized and preferred share purchase warrants of High Beauty, which are not included in the table above as the estimated fair values of these investments were \$nil at both the beginning and the end of the reporting period.

⁽²⁾ Additions include the issuance of common shares of RAMM received as satisfaction of the contingent consideration owed to the Company in connection with the sale of its investment in Canapar (as disclosed in Note 9(c)) and the recognition of the estimated distribution to be received from PharmHouse upon termination of the CCAA Proceedings (as disclosed in Note 5).

⁽³⁾ Dispositions include the satisfaction of the contingent consideration received in connection with the Company's sale of its investment in Canapar. Please refer to Note 9(c) for further information.

⁽⁴⁾ Presented net of provisions for expected credit losses of \$853. Please refer to Note 16(b) for further information.

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| Year ended March 31, 2021 | | | | | | | | | |
|----------------------------------|------------------------------------|------|-------------------------------|-------------------------------|--------------------------------|---|--------------------------------|---|---|
| Entity ⁽¹⁾ | Instrument | Note | Balance at Apr. 1, 2020 | Addi- tions ⁽²⁾ | Net change in fair value | Conver- sions / disposi- tions | Balance at Mar. 31, 2021 | Dividend / interest / royalty income | Dividend / interest / royalty receiv- able ⁽³⁾ |
| Agripharm | Royalty interest | 9(a) | \$ 12,600 | \$ - | \$ (7,500) | \$ - | \$ 5,100 | \$ 3,966 | \$ 1,890 |
| NOYA | Royalty interest | 9(b) | 4,000 | - | - | - | 4,000 | 856 | 545 |
| NOYA | Convertible debenture | 9(b) | 880 | - | (40) | - | 840 | 120 | 90 |
| NOYA | Warrants | 9(b) | 50 | - | (10) | - | 40 | - | - |
| Vert Mirabel ⁽⁴⁾ | Preferred shares | | 20,000 | - | 2,450 | (22,450) | - | - | - |
| Civilized | Convertible debenture | | 2,100 | - | (2,100) | - | - | - | - |
| Canapar | Call option | | 1,100 | - | (1,100) | - | - | - | - |
| Canapar | Contingent consideration | 9(c) | - | 1,000 | - | - | 1,000 | - | - |
| Greenhouse Juice | Secured convertible debenture | 9(d) | 7,500 | - | (1,900) | - | 5,600 | 868 | 1,612 |
| Greenhouse Juice | Unsecured convertible debenture | | 3,000 | - | (1,700) | (1,300) | - | - | - |
| Greenhouse Juice | Warrants | 9(d) | 390 | - | (370) | - | 20 | - | - |
| High Beauty | Convertible promissory note | 9(f) | 850 | - | 120 | - | 970 | - | - |
| High Beauty | Warrants | 9(f) | 90 | - | (90) | - | - | - | - |
| BioLumic | Convertible promissory note | | 2,400 | - | (261) | (2,139) | - | - | - |
| BioLumic | Second convertible promissory note | 9(g) | - | 668 | (18) | - | 650 | - | - |
| Tweed Tree Lot ⁽⁴⁾ | Royalty interest | | 15,100 | - | (100) | (15,000) | - | 3,895 | - |
| TerrAscend Canada ⁽⁴⁾ | Term Loan | | 10,000 | - | 7,590 | (17,590) | - | 601 | - |
| TerrAscend ⁽⁴⁾ | Warrants II | | 110 | - | 485 | (595) | - | - | - |
| Dynaleo | Convertible debenture | | - | 1,613 | 452 | (2,065) | - | - | - |
| Dynaleo | Warrants | 9(h) | - | 387 | 423 | - | 810 | - | - |
| Headset | Convertible promissory note | 9(i) | - | 1,080 | 20 | - | 1,100 | - | - |
| CGC | Common shares | 9(j) | - | 159,997 | (12,795) | (3,302) | 143,900 | - | - |
| Total | | | \$ 80,170 | \$ 164,745 | \$ (16,444) | \$ (64,441) | \$ 164,030 | \$ 10,306 | \$ 4,137 |

⁽¹⁾ As at March 31, 2021, the Company also owned common share purchase warrants of Civilized and a control warrant in Herbert, which are not included in the table above as the estimated fair values of these investments were \$nil at both the beginning and the end of the applicable reporting period.

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- (2) Additions for the year ended March 31, 2021, include the fair value of the non-cash contingent consideration related to the disposition of the Company's investment in Canapar. Please refer to Note 9(c) for additional information.
- (3) Presented net of provisions for expected credit losses of \$3,840. Please refer to Note 16(b) for further information.
- (4) Please refer to the consolidated financial statements for the years ended March 31, 2021, and 2020, for further information on these investments.

Included in interest and royalty receivable on the consolidated statement of financial position as at March 31, 2022, is \$5 relating to the Company's interest receivable from cash deposits held.

Please refer to Note 16 for additional details on valuation methodologies and key inputs and assumptions for these investments.

a) Agripharm

Agripharm Corp. ("Agripharm") is a company licensed to cultivate and process cannabis under the Cannabis Act.

As at March 31, 2022, the Company had advanced \$20,000 to Agripharm that was subject to a royalty agreement (March 31, 2021 – \$20,000). Under the terms of the royalty agreement, the Company was intended to receive a royalty per gram of applicable Agripharm cannabis production for a term of 20 years, subject to a minimum annual payment of 20% of the principal amount drawn pursuant to the royalty agreement.

The royalty interest is measured at FVTPL. As at March 31, 2022, the Company determined that Agripharm would not be able to meet its financial obligations pursuant to the royalty agreement (including the payment of the outstanding overdue royalty balance owing to the Company, as well as future minimum annual payments) based upon underlying business conditions. Accordingly, the Company has discontinued its recognition of royalty income pursuant to the royalty agreement and has written off the entire outstanding gross royalty receivable balance of \$5,715 on its statement of financial position, against which it had previously recognized a provision for expected credit losses for the full amount.

On October 7, 2021, the Company entered into an asset purchase agreement with TREC Brands Inc. ("TREC Brands") for the sale of the Company's financial assets in Agripharm. Subject to certain terms and conditions, the Company would sell its royalty interest in Agripharm to TREC Brands. As at March 31, 2022, the conditions precedent for the closing of this transaction had not been met, and the Company does not expect that such conditions precedent will be satisfied prior to the outside date for the transaction.

As at March 31, 2022, the Company estimated the fair value of the royalty interest based upon an adjusted book value approach, which considers the Company's priority claim on Agripharm's assets, and the amounts expected to be recovered through an orderly liquidation of those assets. The estimation of the recoverable amount of Agripharm's assets included significant assumptions regarding the recoverability range for various assets (particularly property, plant, and equipment), expressed as a percentage of carrying value, with no consideration to Agripharm's liabilities due to the Company's senior security claim over the assets of Agripharm.

b) NOYA

As at March 31, 2022, the Company had advanced \$5,000 to a wholly-owned subsidiary of NOYA pursuant to a royalty agreement (March 31, 2021 – \$5,000). Under the terms of the royalty agreement, the Company was intended to receive a royalty per gram of cannabis produced for a term of 20 years, subject to a minimum annual payment of \$900.

The royalty interest is measured at FVTPL based upon estimated future cash flows to be received under the royalty agreement discounted to present value at a market rate of interest. As at March 31, 2022, the Company determined that there was a risk that NOYA would not be able to meet its financial obligations pursuant to the royalty agreement (including the payment of the outstanding overdue royalty balance owing to the Company as at March 31, 2022, of \$1,496 and future minimum annual payments of \$900) based upon market factors and underlying business conditions. This risk is reflected in the assumptions used in the Company's estimation of the fair value of the royalty interest and the provision for expected credit losses on the outstanding royalty receivable balance.

As described in Note 8(a), as at March 31, 2022, the Company had also advanced \$1,000 to NOYA pursuant to a convertible debenture agreement (March 31, 2021 – \$1,000) and owned 266,667 common share purchase warrants (March 31, 2021 – 266,667). The convertible debenture represents a financial asset that is initially

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measured at fair value and is subsequently measured at FVTPL, while the warrants represent a derivative financial instrument that is also initially measured at fair value and subsequently measured at FVTPL.

c) Canapar / RAMM

During the year ended March 31, 2021, the Company sold its interest in Canapar Corp. ("Canapar") to RAMM Pharma Corp. ("RAMM") for consideration of up to \$9,000. On closing of the sale, RAMM delivered a cash payment of \$7,000 to the Company in exchange for the Company's 29,833,333 common shares in Canapar. The transaction also included contingent consideration of \$2,000, to be paid upon the achievement of certain operational milestones or upon the occurrence of certain events, including a change of control of Canapar, which occurred during the three months ended June 30, 2021. Accordingly, on June 30, 2021, the contingent portion of the consideration owed to the Company was satisfied through the issuance of 2,105,263 common shares in the capital of RAMM, valued at \$2,000 at the time the shares were delivered. The RAMM common shares represent a financial asset that is initially measured at fair value and is subsequently measured at FVTPL.

During the year ended March 31, 2022, the Company sold 50,500 common shares of RAMM at an average price of \$0.73 per share, for aggregate net proceeds of \$35 (year ended March 31, 2021 – not applicable). As at March 31, 2022, the Company owned 2,054,763 common shares of RAMM (March 31, 2021 – not applicable).

d) Greenhouse Juice

On July 15, 2021, due to the achievement of certain revenue targets by Greenhouse Juice that triggered a mandatory exercise, the Company exercised its remaining 924,582 preferred share purchase warrants of Greenhouse Juice for an aggregate purchase price of \$1,000. The preferred share purchase warrants had previously been measured at FVTPL.

As described in Note 8(b), as at March 31, 2022, the Company had advanced \$6,000 to Greenhouse Juice pursuant to a secured convertible debenture agreement (March 31, 2021 – \$6,000). The Company also owned a warrant that, if exercised, would increase its ownership interest in Greenhouse Juice to 51% (a control warrant).

The secured convertible debenture represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL, while the control warrant represents a derivative financial instrument that is also initially measured at fair value and subsequently measured at FVTPL.

During the year ended March 31, 2022, the Company and Greenhouse Juice amended certain terms of the senior secured convertible debenture agreement. As a result of the agreed-upon amendments, the maturity date of the debenture was extended to April 30, 2022.

As at March 31, 2022, the Company determined that Greenhouse Juice would not be able to meet certain financial obligations pursuant to the convertible debenture agreement (including the repayment of the outstanding principal amount of the debenture at the maturity date and the payment of the outstanding interest balance owing to the Company) based upon underlying business conditions. Accordingly, the Company discontinued its recognition of interest income pursuant to the convertible debenture agreement and wrote off the entire outstanding gross interest receivable balance of \$2,516 on its statement of financial position (against which it has recognized a provision for expected credit losses for the full amount). Furthermore, as at March 31, 2022, the Company estimated the fair value of the secured convertible debenture based upon a market-based approach using Level 3 inputs, which applies an estimated per share value to the number of preferred shares the Company would receive upon conversion of the debenture. As noted above, the estimated per share value was derived based upon indications of interest received by Greenhouse Juice from third parties and was corroborated with reference to market-based multiples applied to Greenhouse Juice's operating results to derive the implied enterprise and equity value of the company.

e) Herbert

As described in Note 8(c), on September 28, 2021, the Company entered into a share transfer agreement pursuant to which the Company transferred its 4,074,074 preferred shares of Herbert to Greenbud Holdings Inc. for nominal consideration and agreed to cancel its previously-held control warrant. Accordingly, as at March 31, 2022, the Company did not own any financial assets in Herbert.

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The control warrant had previously been measured at FVTPL. Prior to the cancellation of the control warrant, the fair value of the control warrant was estimated to be \$nil (March 31, 2021 – \$nil). As such, no gain or loss was recognized upon cancellation of the control warrant.

f) High Beauty

As described in Note 8(e), as at March 31, 2022, the Company had advanced \$1,009 (U.S.\$750) to High Beauty pursuant to a senior secured convertible promissory note (March 31, 2021 – \$1,009 (U.S.\$750)) and owned preferred share purchase warrants.

The convertible promissory note represents a financial asset that is initially measured at fair value and is subsequently measured at FVTPL, while the warrants represent a derivative financial instrument that is also initially measured at fair value and subsequently measured at FVTPL.

During the year ended March 31, 2022, the Company and High Beauty amended certain terms of the senior secured convertible promissory note agreement. As a result of the agreed-upon amendments, the maturity date was extended from December 31, 2021, to April 22, 2022.

g) BioLumic

BioLumic Ltd. (“BioLumic”) is an agricultural technology company based in New Zealand that has created a sustainable ultraviolet light crop yield enhancement technology, which 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.

On March 2, 2022, the principal amount of \$668 (U.S.\$500) that the Company had advanced to BioLumic pursuant to a second convertible promissory note agreement (which represented a financial asset that was initially measured at fair value and subsequently measured at FVTPL) converted into 90,799 preferred shares of BioLumic.

Prior to the conversion of the second convertible promissory note, the Company had also owned 381,590 preferred shares of BioLumic. On initial recognition, the Company elected to account for its investment in the preferred shares of BioLumic initially at fair value and subsequently at FVTOCI. Accordingly, as at March 31, 2022, the Company owned 472,389 preferred shares of BioLumic (March 31, 2021 – 381,590). Please refer to Note 10(d) for additional details on the Company’s investment in BioLumic.

h) Dynaleo

Dynaleo Inc. (“Dynaleo”) is an Alberta-based company that is licensed to process and sell cannabis edibles under the Cannabis Act. Dynaleo is focused on manufacturing and distributing cannabis-infused gummies for the Canadian market.

As at March 31, 2022, the Company owned 1,000,000 common share purchase warrants of Dynaleo (March 31, 2021 – 1,000,000). The warrants represent a derivative financial instrument that is initially measured at fair value and subsequently measured at FVTPL. The Company also owned 1,449,569 common shares of Dynaleo (March 31, 2021 – 1,449,569). On initial recognition, the Company elected to account for its investment in the common shares of Dynaleo initially at fair value and subsequently at FVTOCI. Please refer to Note 10(e) for additional details on the Company’s investment in Dynaleo.

i) Headset

Headset Inc. (“Headset”) is a real-time market intelligence and analytics software platform for the cannabis industry, with services that provide access to up-to-the-minute information on sales trends, emerging segments, popular products, and pricing.

On November 18, 2021, the principal amount of \$1,080 (U.S.\$800) that the Company had advanced to Headset pursuant to a convertible promissory note agreement (which represented a financial asset that was initially measured at fair value and subsequently measured at FVTPL) converted into 554,313 preferred shares of Headset.

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Prior to the conversion of the convertible promissory note, the Company had also owned 1,572,588 preferred shares of Headset. On initial recognition, the Company elected to account for its investment in the preferred shares of Headset initially at fair value and subsequently at FVTOCI. Accordingly, as at March 31, 2022, the Company owned 2,126,901 preferred shares of Headset (March 31, 2021 – 1,572,588). Please refer to Note 10(b) for additional details on the Company's investment in Headset.

j) CGC

As referenced in Note 1, pursuant to the CGC Transaction, the Company received 3,647,902 common shares in the capital of CGC. During the year ended March 31, 2022, the Company sold 3,565,402 common shares of CGC, for aggregate net proceeds of \$106,707 (year ended March 31, 2021 – 82,500 common shares sold for aggregate net proceeds of \$3,300). As at March 31, 2022, the Company no longer owned any CGC common shares (March 31, 2021 – 3,565,402).

k) PharmHouse

As described in Note 5(b), as a result of the satisfaction of all outstanding obligations related to the PharmHouse Credit Facility and its subsequent termination and cancellation, the Company was entitled to the cash available for distribution upon the termination of the CCAA Proceedings. As at June 30, 2021, the Company had estimated this amount to be \$6,470 (March 31, 2021 – not applicable). On September 3, 2021, the Company received the Final PharmHouse Distribution and derecognized the financial asset for the distribution rights.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In accordance with IFRS 9, the Company has elected to measure certain investments in equity instruments at FVTOCI on initial recognition as these investments are long-term and strategic in nature, and net changes in fair value are more suited to be presented in other comprehensive income. Fair value for subsequent measurement is determined in the manner described in Note 16. Please refer below for additional details on these investments.

The following tables outline changes in financial assets measured at FVTOCI for the years ended March 31, 2022, and 2021:

| Year ended March 31, 2022 | | | | | | | |
|---------------------------|------------------|-------|-------------------------|--------------------------|--------------------------|-------------------|--------------------------|
| Entity | Instrument | Note | Balance at Apr. 1, 2021 | Additions ⁽¹⁾ | Net change in fair value | Dispositions | Balance at Mar. 31, 2022 |
| Nova Cannabis | Common shares | 10(a) | \$ 1,718 | \$ - | \$ (267) | \$ (1,451) | \$ - |
| Headset | Preferred shares | 10(b) | 4,000 | 1,600 | 400 | - | 6,000 |
| ZeaKal | Preferred shares | 10(c) | 12,600 | - | (100) | - | 12,500 |
| BioLumic | Preferred shares | 10(d) | 2,000 | 870 | 1,630 | - | 4,500 |
| Dynaleo | Common shares | 10(e) | 2,900 | - | (1,090) | - | 1,810 |
| Total | | | \$ 23,218 | \$ 2,470 | \$ 573 | \$ (1,451) | \$ 24,810 |

⁽¹⁾ Additions include the conversion of financial assets previously measured at FVTPL.

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| Year ended March 31, 2021 | | | | | | | |
|-----------------------------|---------------------|-------|----------------------------|--------------------------|-----------------------------|---------------------|--------------------------------|
| Entity | Instrument | Note | Balance at Apr. 1, 2020 | Additions ⁽¹⁾ | Net change in fair value | Dispositions | Balance at Mar. 31, 2021 |
| JWC ⁽²⁾ | Common shares | | \$ 976 | \$ - | \$ (976) | \$ - | \$ - |
| TerrAscend ⁽²⁾ | Exchangeable shares | | 23,500 | - | 247,912 | (271,412) | - |
| Vert Mirabel ⁽²⁾ | Common shares | | 19,900 | - | (11,029) | (8,871) | - |
| Nova Cannabis | Common shares | 10(a) | 1,523 | - | 195 | - | 1,718 |
| Headset | Preferred shares | 10(b) | 4,500 | - | (500) | - | 4,000 |
| ZeaKal | Preferred shares | 10(c) | 14,200 | - | (1,600) | - | 12,600 |
| BioLumic | Preferred shares | 10(d) | - | 2,139 | (139) | - | 2,000 |
| Dynaleo | Common shares | 10(e) | - | 2,065 | 835 | - | 2,900 |
| Total | | | \$ 64,599 | \$ 4,204 | \$ 234,698 | \$ (280,283) | \$ 23,218 |

⁽¹⁾ Additions include the conversion of financial assets previously measured at FVTPL.

⁽²⁾ Please refer to the consolidated financial statements for the years ended March 31, 2021, and 2020 for further information on these investments.

Please refer to Note 16 for additional details on valuation methodologies and key inputs and assumptions for these investments.

(a) Nova Cannabis Inc.

Nova Cannabis Inc. (formerly YSS Corp.™) ("Nova Cannabis") is a publicly-traded company listed on the TSX under the trading symbol "NOVC". Nova Cannabis operates licensed cannabis retail stores in Canada.

During the year ended March 31, 2022, the Company sold 593,000 common shares of Nova Cannabis, for aggregate net proceeds of \$1,446 (year ended March 31, 2021 – nil). As at March 31, 2022, the Company no longer owned any Nova Cannabis common shares (March 31, 2021 – 593,000).

(b) Headset

As described in Note 9(i), on November 18, 2021, the principal amount of \$1,080 (U.S.\$800) that the Company had advanced to Headset pursuant to a convertible promissory note agreement converted into 554,313 preferred shares of Headset. Accordingly, as at March 31, 2022, together with the preferred shares of Headset that the Company had owned prior to the conversion of the convertible promissory note, the Company owned 2,126,901 preferred shares of Headset (March 31, 2021 – 1,572,588), representing an 8% equity interest on a non-diluted basis.

(c) ZeaKal

ZeaKal, Inc. ("ZeaKal") is a California-based plant science company that has developed a novel plant genetics technology called PhotoSeed™. The PhotoSeed™ technology aims to increase photosynthesis, improve plant yield, and enhance nutritional profiles.

As at March 31, 2022, the Company owned 248,446 preferred shares of ZeaKal (March 31, 2021 – 248,446), representing a 9% equity interest on a non-diluted basis.

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(d) BioLumic

As described in Note 9(g), on March 2, 2022, the principal amount of \$668 (U.S.\$500) that the Company had advanced to BioLumic pursuant to a second convertible promissory note agreement converted into 90,799 preferred shares of BioLumic. Accordingly, as at March 31, 2022, together with the preferred shares of BioLumic that the Company had owned prior to the conversion of the second convertible promissory note, the Company owned 472,389 preferred shares of BioLumic (March 31, 2021 – 381,590), representing a 9% equity interest on a non-diluted basis.

(e) Dynaleo

As described in Note 9(h), as at March 31, 2022, the Company owned 1,449,569 common shares of Dynaleo (March 31, 2021 – 1,449,569), representing a 10% equity interest on a non-diluted basis.

11. LEASE LIABILITY

The Company has recognized a lease liability on its consolidated statement of financial position related to its leased office space. The following table provides additional information relating to the Company's lease liability as at March 31, 2022, and 2021:

| | As at March 31, 2022 | As at March 31, 2021 |
|-------------------------------------|---------------------------------|---------------------------------|
| Opening lease liability | \$ 420 | \$ 566 |
| Lease additions | - | - |
| Disposal of lease | - | - |
| Lease payments | (174) | (174) |
| Interest expense on lease liability | 20 | 28 |
| Ending lease liability | \$ 264 | \$ 420 |
| Current portion | 165 | 156 |
| Long-term portion | \$ 99 | \$ 264 |

For the year ended March 31, 2022, the Company recognized an amortization expense of \$151 (year ended March 31, 2021 – \$151).

Minimum lease payments due on the Company's office space in Toronto on a non-discounted basis are as follows:

| | As at March 31, 2022 |
|--|---------------------------------|
| No later than one year | \$ 346 |
| Later than one year and not later than 5 years | 203 |
| Later than 5 years | - |
| | \$ 549 |

12. CONVERTIBLE NOTE

On August 24, 2021, The Hawthorne Collective purchased Convertible Note I in the principal amount of \$188,475. The consideration paid by The Hawthorne Collective for the purchase of Convertible Note I was received by the Company in U.S. dollars (U.S.\$150,000).

Convertible Note I has a maturity date of August 24, 2027, and bears interest at a rate of approximately 2.0% per annum until August 24, 2023, after which no interest will accrue for the remainder of the term. Accrued interest will be payable on the maturity date or will be included in the conversion value of Convertible Note I at the time of conversion. Convertible Note I is convertible into Common Shares at a fixed conversion price of \$1.90 per Common Share. Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at RIV Capital's discretion upon the later of: (i) August 24,

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2023; and (ii) the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis. Conversion of Convertible Note I is subject to the receipt of any required regulatory (including under the Competition Act (Canada) and/or the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976) and stock exchange approvals, and other conditions set out in the terms of Convertible Note I. Convertible Note I includes certain restrictions relating to the permissible uses of the proceeds from the Initial Hawthorne Investment as it relates to the Company's strategy of investing in, or acquiring, cannabis-related operating businesses in the U.S. Please refer to Note 20 for additional details on the Company's use of the proceeds from Convertible Note I.

Convertible Note I's embedded conversion features were determined to meet the definition of a compound financial instrument. As such, on the date of issuance of Convertible Note I, the Company estimated the fair value of the debt component of Convertible Note I, and the residual amount was allocated to, and reported as, equity. To calculate the estimated fair value of the debt and equity components on the date of issuance, the Company used a FinCAD model, a widely accepted, commercially available analytic tool that applies the finite difference method of valuation. The fair value of the debt component of Convertible Note I was estimated to be \$93,845 based upon several key estimates and assumptions. It is amortized over the term to maturity using an effective interest rate of 13.2%. The residual value of the proceeds received from Convertible Note I of \$94,630 was allocated to the conversion feature and recognized in equity.

In connection with the Initial Hawthorne Investment, the Company paid financing costs of \$1,184, of which \$590 were capitalized to the debt component and \$594 were capitalized to the equity component.

The following table summarizes certain key details regarding Convertible Note I:

| Convertible Note I | Initial Recognition |
|------------------------------|--|
| Issue date | August 24, 2021 |
| Maturity date | August 24, 2027 |
| Gross proceeds | \$188,475 |
| Financing costs | \$1,184 |
| Net proceeds | \$187,291 |
| Coupon rate | 2.0% until Aug. 24, 2023; 0.0% thereafter |
| Conversion price | \$1.90 |
| Discount rate | 16.8% |
| Effective interest rate | 13.2% |
| Fair value of debt component | \$93,845 |
| Equity (residual) value | \$94,630 |

The following table presents a summary continuity schedule for Convertible Note I for the year ended March 31, 2022.

| | As at March 31, 2022 |
|---|-----------------------------|
| Opening balance, April 1, 2021 | \$ - |
| Add: face value on issuance | 188,475 |
| Less: value allocated to conversion feature (excluding financing costs allocated to equity component) | (94,630) |
| Less: financing costs allocated to debt component | (590) |
| Fair value of debt on initial recognition | \$ 93,255 |
| Accretion expense during the period | 7,198 |
| Ending balance, March 31, 2022 | \$ 100,453 |

During the year ended March 31, 2022, the Company recognized accretion expense on Convertible Note I of \$7,198, which was calculated using the effective interest method (year ended March 31, 2021 – not applicable).

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13. SHARE CAPITAL**(a) Authorized**

The Company has one class of shares outstanding (Class A Common Shares). The Company is authorized to issue an unlimited number of Common Shares and each Common Share is entitled to one vote at all meetings of the shareholders of the Company.

(b) Issued and outstanding

As at March 31, 2022, there were 142,592,403 Common Shares issued and outstanding (March 31, 2021 – 142,084,523).

(c) Stock options

The Company has a long-term incentive plan ("LTIP"), which provides for the issuance of non-transferable options, restricted share units ("RSUs"), performance stock units ("PSUs"), stock appreciation rights, and restricted stock to directors, officers, employees, and other eligible service providers of the Company. Pursuant to the LTIP, the maximum number of Common Shares issuable from treasury pursuant to outstanding options, RSUs, and PSUs shall not exceed 10% of the issued and outstanding Common Shares.

The LTIP is administered by the Board who establishes exercise prices for options, at not less than the market price at the date of the grant, and expiry dates. Options under the LTIP generally remain exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and generally have expiry dates five years from the date of grant. The Board has the discretion to amend general vesting provisions and the term of any option grant, subject to limits contained in the LTIP.

In determining the amount of share-based compensation expense, the Company uses the Black-Scholes option pricing model to establish the fair value of options granted during the period and the fair value of options granted in prior periods that require remeasurement, based on various assumptions and estimates. Expected life is estimated based upon the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the options), and behavioural considerations. The risk-free rate is estimated based upon zero coupon Government of Canada bond yields with a term approximately equal to the expected life of the options. Volatility is estimated based upon the historical share price volatility of the Company and comparable companies.

Consultant Options

As at March 31, 2021, the Company had 4,770,001 options to purchase Common Shares granted to employees of CGC and other consultants of the Company outstanding. During the year ended March 31, 2022, the Company did not grant any options to purchase Common Shares to consultants of the Company (year ended March 31, 2021 – nil). Options granted to CGC employees and consultants are considered "consultant options" from the Company's perspective. The options have exercise prices ranging from \$0.60 to \$3.50 per Common Share and are exercisable in increments, with generally one-third being exercisable on each of the first, second, and third anniversaries from the date of grant. The options were measured at fair value at the date of grant using a Black-Scholes option pricing model and are remeasured at the end of each reporting period until the performance is complete. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

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The following assumptions were used in determining the fair value of the consultant options:

| Consultant Options | Initial Recognition | March 31, 2021 | March 31, 2022 |
|--|----------------------------|-----------------------|-----------------------|
| Share price | \$0.60 – \$3.50 | \$2.49 | \$1.41 |
| Exercise price | \$0.60 – \$3.50 | \$0.60 – \$3.50 | \$0.60 – \$2.28 |
| Risk-free interest rate | 1.5% | 0.2% | 2.2% |
| Weighted average expected life (years) | 3.0 – 4.0 | 0.7 – 2.6 | 0.0 – 1.6 |
| Dividend yield | 0% | 0% | 0% |
| Expected annualized volatility | 70% | 70% | 70% |
| Expected forfeiture rate | 0% | 0% | 0% |

During the year ended March 31, 2022, 110,000 consultant options were exercised at a weighted average exercise price of \$0.60, for net proceeds of \$45, after giving effect to the Company's cashless exercise program, pursuant to which a number of shares net of the exercise price value are issued upon exercise (year ended March 31, 2021 – 2,293,668 consultant options exercised at a weighted average exercise price of \$0.60 for gross proceeds of \$1,376). During the year ended March 31, 2022, no consultant options were forfeited (year ended March 31, 2021 – 173,335 consultant options forfeited with a weighted average exercise price of \$0.60) and 100,001 consultant options expired with a weighted average exercise price of \$0.60, (year ended March 31, 2021 – 65,000 consultant options expired with a weighted average exercise price of \$1.94).

During the year ended March 31, 2022, the Company recognized share-based compensation expense related to consultant options of \$27 (year ended March 31, 2021 – recapture of \$142).

Employee and Director Options

As at March 31, 2021, the Company had 4,052,999 options to purchase Common Shares granted to employees and directors of the Company outstanding. During the year ended March 31, 2022, the Company did not grant any options to purchase Common Shares to employees or directors of the Company (year ended March 31, 2021 – nil). The options outstanding have exercise prices ranging from \$1.10 to \$4.50 per Common Share and are exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant. The options were measured at fair value at the date of grant using a Black-Scholes option pricing model. The Company has estimated the number of options it expects to vest and is amortizing the expense over the expected vesting period.

The following assumptions were used in determining the fair value of the employee and director options at their dates of grant (the options are not subsequently remeasured):

| Employee and Director Options | Initial Recognition |
|--|----------------------------|
| Share price | \$1.10 – \$4.50 |
| Exercise price | \$1.10 – \$4.50 |
| Risk-free interest rate | 1.4 – 2.3% |
| Weighted average expected life (years) | 3.0 – 4.0 |
| Dividend yield | 0% |
| Expected annualized volatility | 70% |
| Expected forfeiture rate | 0% |

During the year ended March 31, 2022, no employee and director options were exercised (year ended March 31, 2021 – 673,333 employee and director options exercised at a weighted average price of \$1.21 for net proceeds of \$124). During the year ended March 31, 2022, 10,000 employee and director options were forfeited with a weighted average exercise price of \$2.28 (year ended March 31, 2021 – 470,001 employee and director options forfeited with a weighted average exercise price of \$3.43), and 33,332 employee and director options expired with a weighted average exercise price of \$2.99 (year ended March 31, 2021 – 567,667 employee and director options expired with a weighted average exercise price of \$3.78).

During the year ended March 31, 2022, the Company recognized share-based compensation expense related to employee and director options of \$571 (year ended March 31, 2021 – \$1,608).

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Stock Options Summary

The following tables summarize information about options outstanding as at March 31, 2022, and 2021:

| March 31, 2022 | Options Outstanding | | | Options Exercisable | | | |
|--------------------------|--|-------------------------------------|---|---|--|-------------------------------------|---|
| | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share ⁽¹⁾ | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Fair Value per Share ⁽¹⁾ |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| Seed capital | 0.05 | 33,334 | n/a | 1.36 | n/a | n/a | n/a |
| Consultant | 2.53 | 4,560,000 | 1.1 | 0.27 | 2.53 | 4,540,001 | 0.27 |
| Employee and director | 3.05 | 4,009,667 | 1.6 | 1.54 | 2.99 | 3,582,003 | 1.49 |

| March 31, 2021 | Options Outstanding | | | Options Exercisable | | | |
|--------------------------|--|-------------------------------------|---|---|--|-------------------------------------|---|
| | Weighted Average Exercise Price | Number of Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Fair Value per Share ⁽¹⁾ | Weighted Average Exercise Price | Number of Options Exercisable | Weighted Average Fair Value per Share ⁽¹⁾ |
| | \$ | # | # (years) | \$ | \$ | # | \$ |
| Seed capital | 0.05 | 33,334 | n/a | 2.44 | n/a | n/a | n/a |
| Consultant | 2.44 | 4,770,001 | 2.1 | 0.90 | 2.16 | 3,730,001 | 1.00 |
| Employee and director | 3.05 | 4,052,999 | 2.6 | 1.54 | 2.86 | 2,385,999 | 1.39 |

⁽¹⁾ Weighted average fair value per share is based upon the estimated fair value of each option at the time of grant for options that are not remeasured each period.

The following table is a summary of the changes in the Company's outstanding options during year ended March 31, 2022:

| | # of Options | Weighted Avg. Exercise Price |
|---------------------------------|------------------|---------------------------------|
| Balance – March 31, 2021 | 8,856,334 | \$ 2.70 |
| Granted | - | - |
| Exercised | 110,000 | 0.60 |
| Forfeited | 10,000 | 2.28 |
| Expired | 133,333 | 1.20 |
| Balance – March 31, 2022 | 8,603,001 | \$ 2.76 |

(d) Restricted Share Units

On March 18, 2020, the Company effected an RSU plan (the "RSU Plan") for non-employee directors whereby the Company may grant RSUs for the purposes of promoting greater alignment of long-term interests between non-employee directors and the Company's shareholders, and to provide a compensation system that, together with the other director compensation mechanisms, is reflective of the responsibility, commitment, and risk accompanying membership on the Board and the performance of the duties required of the various committees of the Board. Pursuant to the RSU Plan, holders of the RSUs will be entitled to receive Common Shares at specified future dates and the maximum number of Common Shares issuable from treasury pursuant to outstanding RSUs shall not exceed 1% of the issued and outstanding Common Shares. RSUs issued under the RSU Plan generally become redeemable in increments, with one-third being redeemable for Common Shares on each of the first, second, and third anniversaries from the date of grant. RSUs may also be granted on a discretionary basis.

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During the year ended March 31, 2022, the Company granted 185,933 RSUs to non-employee directors (year ended March 31, 2021 – 115,492). The RSUs vested immediately and one-third are redeemable for Common Shares on each of the first, second, and third anniversaries from the date of grant. The number of RSUs granted to the non-employee directors was based upon the estimated fair value of services provided to the Company of \$312 and a volume-weighted average grant date value of \$1.68 per unit, determined at the date of any individual grant (year ended March 31, 2021 – \$217 and a volume-weighted average grant date value of \$1.88 per unit).

During the year ended March 31, 2022, 157,266 RSUs were redeemed at a volume-weighted average grant date value of \$1.07 per unit (year ended March 31, 2021 – 118,770 RSUs redeemed at a volume-weighted average grant date value of \$0.81 per unit).

During the year ended March 31, 2022, the Company recognized share-based compensation expense related to the RSUs of \$312 (year ended March 31, 2021 – \$217).

RSUs Summary

The following table is a summary of the changes in the Company's outstanding RSUs during the year ended March 31, 2022:

| | # of RSUs | Weighted Avg. Grant Value |
|---------------------------------|----------------|------------------------------|
| Balance – March 31, 2021 | 353,030 | \$ 1.16 |
| Granted | 185,933 | 1.68 |
| Redeemed | 157,266 | 1.07 |
| Balance – March 31, 2022 | 381,697 | \$ 1.45 |

(e) Performance Stock Units

On January 7, 2022, 288,000 PSUs with a volume-weighted average grant date value of \$1.65 per unit were granted to employees of the Company pursuant to the LTIP (year ended March 31, 2021 – 1,210,000 and a volume-weighted average grant date value of \$1.09 per unit). The PSUs vest in three equal instalments on each of April 1, 2022, April 1, 2023, and April 1, 2024, generally subject to continued service, and, once vested, are redeemable, at the option of the holder, at specified times in the period between the vesting date and the fifth anniversary of the grant date, subject to earlier settlement in the event of termination of service. The number of PSUs that will be eligible to vest on each vesting date may be adjusted upwards based upon the increase, if any, in the Common Share price between the grant date and the vesting date (the "Performance Factor"). During the year ended March 31, 2022, 293,338 Performance Factor PSUs were granted.

During the year ended March 31, 2022, 253,342 PSUs were redeemed at a volume-weighted average grant date value of \$0.98 per unit (year ended March 31, 2021 – not applicable).

During the year ended March 31, 2022, 16,666 PSUs were forfeited (year ended March 31, 2021 – 330,000).

During the year ended March 31, 2022, the Company recognized share-based compensation expense related to the PSUs of \$542 (year ended March 31, 2021 – \$587).

The following table is a summary of the changes in the Company's outstanding PSUs during the year ended March 31, 2022:

| | # of PSUs | Weighted Avg. Grant Value |
|---------------------------------|------------------|------------------------------|
| Balance – March 31, 2021 | 880,000 | \$ 0.98 |
| Granted | 288,000 | 1.48 |
| Performance Factor Adjustment | 293,338 | 0.98 |
| Redeemed | 253,342 | 0.98 |
| Forfeited | 16,666 | 0.98 |
| Balance – March 31, 2022 | 1,191,330 | \$ 1.08 |

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(f) Normal Course Issuer Bid

On April 2, 2020, the Company commenced a normal course issuer bid ("NCIB") to purchase up to 10,409,961 Common Shares, representing 10% of the Company's issued and outstanding Common Shares at that time, in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The NCIB expired on April 1, 2021.

During the year ended March 31, 2022, the Company did not repurchase and cancel any Common Shares (year ended March 31, 2021 –273,300 Common Shares repurchased at a weighted average acquisition price of \$1.11 per share, for a total acquisition cost of \$307).

14. RELATED PARTY TRANSACTIONS**(a) Key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board. Together, these individuals controlled approximately 1.3% of the Common Shares of the Company on a fully diluted basis as at March 31, 2022. The following table summarizes compensation provided to key management personnel:

| | <u>Year ended</u> | |
|--|-------------------|----------------|
| | March 31, 2022 | March 31, 2021 |
| Executive salaries and accrued bonuses | \$ 1,879 | \$ 1,878 |
| Retention bonuses | 1,193 | - |
| Director fees ⁽¹⁾ | 181 | 156 |
| Special committee fees | 243 | 237 |
| Share-based compensation | | |
| Executive | 549 | 1,251 |
| Board | 327 | 285 |

⁽¹⁾ At the beginning of the Company's fiscal year, each director submits an election to allocate their annual retainer between cash and share-based compensation, subject to certain restrictions. Director fees indicated above represent the cash portion of total director compensation (excluding special committee fees, which are paid in cash and presented separately), with the remainder presented in share-based compensation.

(b) Transaction with The Hawthorne Collective

On August 24, 2021, The Hawthorne Collective invested \$188,475 in the Company pursuant to Convertible Note I issued by the Company. Please refer to Note 12 for further details. The accrued and unpaid interest under Convertible Note I as at March 31, 2022, is subject to Income Tax Act ("ITA") non-resident thin capitalization tax rules. Accordingly, the Company recognized a withholding tax payable to the Canada Revenue Agency in the amount of \$372 in its statement of financial position. Pursuant to the Convertible Note I agreement, The Hawthorne Collective and the Company agreed to share this liability equally. As such, the Company has recorded a related party receivable from The Hawthorne Collective as at March 31, 2022, in the amount of \$186 on its statement of financial position.

(c) Transactions with other related parties

Transactions and balances with the Company's associates and former joint venture are described and discussed in Notes 5, 8, and 9.

All other transactions are in the normal course of operations and were entered into at market terms.

15. INCOME TAXES

The major components of the Company's income tax recovery and the related reconciliation to the expected tax expense recovery based on the domestic effective tax rate of the Company of 26.5% are presented below:

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| | Year ended March 31, 2022 | Year ended March 31, 2021 |
|--|------------------------------|------------------------------|
| Loss before taxes | \$ (65,204) | \$ (152,354) |
| Income tax recovery calculated at 26.5% | (17,279) | (40,374) |
| Effect of items that are not deductible in determining taxable income | 796 | 248 |
| Effect of previously unrecognized temporary differences on joint venture | - | 3,448 |
| Return-to-provision adjustments | (667) | - |
| Effect of capital gains tax rate applied to certain financial assets | 5,103 | 17,608 |
| Change in unrecognized deferred tax assets | (487) | 623 |
| Other | 61 | (27) |
| Income tax recovery | \$ (12,473) | \$ (18,474) |

Expenses and items that are not deductible in determining taxable income primarily relate to share-based compensation expense.

The breakdown of current and deferred income tax recovery through profit or loss is presented below:

| | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|------------------------------|------------------------------|
| Current income tax recovery | | |
| Current period | \$ (10,749) | \$ (15,260) |
| Adjustment in respect of prior periods | (667) | (153) |
| Current income tax recovery | \$ (11,416) | \$ (15,413) |
| Deferred income tax recovery | | |
| Origination and reversal of temporary differences | \$ (1,057) | \$ (3,066) |
| Adjustment in respect of prior periods | - | 5 |
| Deferred income tax recovery | \$ (1,057) | \$ (3,061) |
| Income tax recovery | \$ (12,473) | \$ (18,474) |

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Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws.

Below is a summary of the movement in deferred tax assets (liabilities) for the year ended March 31, 2022, and 2021:

| | April 1, 2021 | Recognized in profit or loss | Recognized in other comprehe- sive income | Recognized directly in equity | March 31, 2022 |
|--|------------------|------------------------------------|---|-------------------------------------|--------------------|
| Net operating losses | \$ - | \$ 1,058 | \$ - | \$ 817 | \$ 1,875 |
| Share issuance costs | 777 | 105 | - | (6) | 876 |
| Finance lease receivable | (62) | 66 | - | - | 4 |
| Equity method investees | 158 | 440 | - | - | 598 |
| Investments accounted for at FVTPL | 2,527 | (1,405) | - | - | 1,122 |
| Investments accounted for at FVTOCI | 213 | - | (316) | - | (103) |
| Financial guarantee liability | 398 | (398) | - | - | - |
| Unrealized FX gains/losses | - | (170) | - | - | (170) |
| Convertible Note I | - | 1,299 | - | (25,233) | (23,934) |
| Other | (10) | 62 | - | - | 52 |
| Deferred tax asset (liability), net | \$ 4,001 | \$ 1,057 | \$ (316) | \$ (24,422) | \$ (19,680) |

| | April 1, 2020 | Recognized in profit or loss | Recognized in other comprehe- sive income | Recognized directly in equity | March 31, 2021 |
|--|------------------|------------------------------------|---|-------------------------------------|-------------------|
| Net operating losses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Share issuance costs | - | 50 | - | 727 | 777 |
| Finance lease receivable | - | (62) | - | - | (62) |
| Equity method investees | - | 158 | - | - | 158 |
| Investments accounted for at FVTPL | - | 2,527 | - | - | 2,527 |
| Investments accounted for at FVTOCI | - | - | 213 | - | 213 |
| Financial guarantee liability | - | 398 | - | - | 398 |
| Other | - | (10) | - | - | (10) |
| Deferred tax asset (liability), net | \$ - | \$ 3,061 | \$ 213 | \$ 727 | \$ 4,001 |

During the year ended March 31, 2022, the Company recognized current income tax recovery of \$240 directly within other comprehensive income (year ended March 31, 2021 – current income tax expense of \$33,690).

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During the year ended March 31, 2022, the Company recognized deferred income tax expense of \$316 directly within other comprehensive income (year ended March 31, 2021 – deferred income tax recovery of \$213).

The unrecognized temporary differences of the Company are comprised of the following:

| | Year ended March 31, 2022 | Year ended March 31, 2021 |
|--------------------------------------|------------------------------|------------------------------|
| Net operating losses carried forward | \$ 30 | \$ 5,185 |
| Capital losses carried forward | - | 1,122 |
| Share issuance costs | - | 2,051 |
| Equity method investees | 2,830 | 6,334 |
| Financial assets at FVTPL | 15,036 | 11,532 |
| Financial assets at FVTOCI | - | - |
| Other | - | 687 |
| Total | \$ 17,896 | \$ 26,911 |

The Company has the following net operating losses available to reduce future years' taxable income which expire as follows:

| Year of expiry | Net operating losses |
|----------------|-------------------------|
| 2038 | \$ 69 |
| 2039 | 1,561 |
| 2040 | 2,241 |
| 2041 | 1,551 |
| 2042 | 1,667 |
| Total | \$ 7,089 |

Upon initial recognition of Convertible Note I described in Note 12, the Company recognized a charge of \$25,233 directly within equity and a corresponding deferred tax liability as a result of a temporary difference triggered by the recognition of the conversion feature within equity. The Company's reserve in shareholders' equity related to Convertible Note I is presented net of this charge and does not get remeasured. For the year ended March 31, 2022, the deferred tax liability was reduced by \$1,299 through a corresponding deferred income tax recovery included in net loss. The Company's net deferred tax liability of \$21,347 as at March 31, 2022, included a deferred tax liability of \$23,934 related to Convertible Note I.

During the year ended March 31, 2022, the Company made income tax payments (net of refunds received) of \$16,869 related to corporate income taxes in respect of the fiscal year ended March 31, 2021 (year ended March 31, 2021 – \$nil). The Company has not made any income tax installment payments for the fiscal year ended March 31, 2022, as the Company expects to be in a net tax recovery position for the fiscal year.

16. FINANCIAL INSTRUMENTS
(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements and maintaining sufficient cash balances for settlement of financial liabilities on their due dates.

The Company's financial liabilities are comprised of accounts payable and accrued liabilities, and Convertible Note I with The Hawthorne Collective discussed in Note 12. As at March 31, 2022, the contractual maturities for the Company's accounts payable are generally within six months. Convertible Note I principal and interest are due at maturity, being August 24, 2027.

Please refer to Note 18 for additional information on commitments.

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(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's interest and royalty receivables and other receivables. The Company is exposed to credit-related losses in the event of default by the counterparties. The Company has provided financing and upfront capital to investees in the normal course of business and has evaluated and monitored counterparty credit to mitigate credit risk.

| Credit rating category | Description | Basis for recognizing ECLs |
|-------------------------------|--|-----------------------------------|
| (1) | Financial assets that have experienced no significant increase in credit risk between initial recognition and the reporting date | 12-month ECLs |
| (2) | Financial assets that have experienced a significant increase in credit risk between initial recognition and the reporting date | Lifetime ECLs |
| (3) | There is evidence indicating that the counterparty is in severe financial difficulty and the Company has no realistic prospect of recovery | Amount is written off |

The table below details the credit quality of the Company's financial assets (other than those measured at FVTPL and FVTOCI) and financial liabilities, and the corresponding provision for expected credit losses. Financial assets in credit rating category "(3)" above have had the gross carrying amount and provision for ECL written off, as the Company has no expectation of recovery. Financial assets and liabilities were assessed individually, but have been grouped together below for presentation purposes:

| As at March 31, 2022 | | | | | |
|---------------------------------|-------------------------------|-----------------------------------|------------------------------|--------------------------|----------------------------|
| Instrument | Internal credit rating | Basis for recognizing ECLs | Gross carrying amount | Provision for ECL | Net carrying amount |
| Interest and royalty receivable | (1) | 12-month ECLs | \$ 5 | \$ - | \$ 5 |
| | (2) | Lifetime ECLs | 1,706 | 853 | 853 |
| Other receivables | (1) | 12-month ECLs | 11,619 | - | 11,619 |
| | | | | \$ 853 | |

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| As at March 31, 2021 | | | | | |
|---------------------------------|------------------------|-------------------------------------|-----------------------|-------------------|---------------------|
| Instrument | Internal credit rating | Basis for recognizing ECLs | Gross carrying amount | Provision for ECL | Net carrying amount |
| Interest and royalty receivable | (1) | 12-month ECLs | \$ 779 | \$ 61 | \$ 718 |
| | (2) | Lifetime ECLs | 5,669 | 3,779 | 1,890 |
| Interest receivable – long term | (2) | Lifetime ECLs | 1,791 | 179 | 1,612 |
| Other receivables | (1) | 12-month ECLs | 460 | - | 460 |
| Finance lease receivable | (1) | Lifetime ECLs (simplified approach) | 2,870 | - | 2,870 |
| Financial guarantee liability | (2) | Lifetime ECLs | - | 3,000 | (3,000) |
| | | | \$ 7,019 | | |

ECLs on financial assets are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to mitigating effects of collateral and security, reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The estimation and application of forward-looking information requires significant judgment. The measurement of ECLs is primarily based on the product of the financial instrument's probability of default, loss given default, and exposure at default.

The following tables outline the movement of the provision for ECLs for the year ended March 31, 2022, and 2021:

| Year ended March 31, 2022 | | | | | | |
|---|---------------------------------|---------------------------------|-------------------|--------------------------|-------------------------------|--|
| | Interest and royalty receivable | Interest receivable – long term | Other receivables | Finance lease receivable | Financial guarantee liability | |
| Beginning balance, provision for ECL – April 1, 2021 | \$ 3,840 | \$ 179 | \$ - | \$ - | \$ 3,000 | |
| Change in provision | 2,728 | 2,337 | - | - | (1,935) | |
| Write-offs charged against provision | (5,715) | (2,516) | - | - | (1,065) | |
| Ending balance, provision for ECL – March 31, 2022 | \$ 853 | \$ - | \$ - | \$ - | \$ - | |

| Year ended March 31, 2021 | | | | | | |
|---|---------------------------------|---------------------------------|-------------------|--------------------------|------------------|-------------------------------|
| | Interest and royalty receivable | Interest receivable – long term | Other receivables | Finance lease receivable | Loans receivable | Financial guarantee liability |
| Beginning balance, provision for ECL – April 1, 2020 | \$ 269 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in provision | 12,633 | 179 | - | - | 53,656 | 28,000 |
| Write-offs charged against provision | (9,062) | - | - | - | (53,656) | (25,000) |
| Ending balance, provision for ECL – March 31, 2021 | \$ 3,840 | \$ 179 | \$ - | \$ - | \$ - | \$ 3,000 |

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For the year ended March 31, 2022, the Company recognized an increase in the provision for expected credit losses on its interest and royalty receivables of \$5,065 in its statement of comprehensive income (loss) (year ended March 31, 2021 – increase of \$12,812). The increase in the Company's provision for expected credit losses on its interest and royalty receivables for the year ended March 31, 2022, is attributable to an increase in the provision for expected credit losses relating to the Company's royalty receivable balance with Agripharm described in Note 9(a) of \$1,936; an increase in the provision for expected credit losses relating to the Company's interest and royalty receivable balances with NOYA described in Note 9(b) of \$792; and an increase in the provision for expected credit losses relating to the Company's interest receivable balance with Greenhouse Juice described in Note 9(d) of \$2,337.

The provisions recognized on the Company's statement of financial position as at March 31, 2022, represent 50% of the outstanding gross receivable balances for NOYA and were recognized in connection with the enhanced risk that NOYA would not be able to meet its financial obligations pursuant to the applicable royalty and convertible debenture agreements based on underlying business conditions. Furthermore, as described in Notes 9(a) and 9(d), during the year the Company wrote off the entire outstanding gross receivable balances of \$5,715 and \$2,516 relating to Agripharm and Greenhouse Juice, respectively, on its statement of financial position. Prior to these write-offs, the Company had recognized provisions for expected credit losses for the full amounts.

As described in Note 5, the Company was a guarantor for the PharmHouse Credit Facility in the event of non-compliance with covenants or default. In connection with the PharmHouse Sale, during the year ended March 31, 2022, the Company recognized a decrease in the provision for expected credit losses relating to the PharmHouse Guarantee of \$1,935 on its statement of comprehensive income (loss) (year ended March 31, 2021 – increase of \$28,000). During the three months ended September 30, 2021, the Company received the Final PharmHouse Distribution upon the termination of the CCAA Proceedings, the receipt of which concluded the Company's relationship with PharmHouse in all material respects.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. As at March 31, 2022, the Company's exposure to interest rate risk arises from its investments in certain debt instruments of investees, which all have fixed interest rates.

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company is not directly party to any arrangement involving variable interest rates. Convertible Note I carries a fixed interest rate for the first two years of approximately 2.0%, and is thus not affected by changes in market 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.

(d) Fair values

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying amount of cash and cash equivalents, interest and royalty receivables, other receivables, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

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The following table provides information about how the fair values of the Company's other financial instruments were determined as at March 31, 2022:

| | Fair value as at Mar. 31, 2022 | Fair value as at Mar. 31, 2021 | Fair value hierarchy and technique | Key inputs |
|---|--------------------------------|--------------------------------|--|---|
| Financial assets – fair value through profit or loss | | | | |
| Agripharm Royalty Interest | \$3,000 | \$5,100 | (Level 3): Cost approach – adjusted book value: based upon the estimated recoverability values of Agripharm's assets in an orderly liquidation | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Carrying values from Agripharm's statement of financial position <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Recoverability percentages applied to the carrying values of each class of Agripharm's assets |
| NOYA Royalty Interest | \$3,200 | \$4,000 | (Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Per gram royalty Minimum annual payment <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Cannabis production Discount rate (33% at Mar. 31, 2022; 25% at Mar. 31, 2021) |
| NOYA Convertible Debenture | \$840 | \$840 | (Level 3): FinCAD model (with a Black-Scholes option pricing model). Due to the immaterial nature of changes since initial recognition, the Company has applied certain valuation inputs and assumptions that are consistent with those used upon initial recognition | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Principal amount advanced Interest rate Conversion price (\$0.60 at Mar. 31, 2022; \$0.60 at Mar. 31, 2021) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price (\$0.60 at Mar. 31, 2022; \$0.60 at Mar. 31, 2021) Implied credit spread (20% at Mar. 31, 2022; 20% at Mar. 31, 2021) Expected annualized volatility (101% at Mar. 31, 2022; 101% at Mar. 31, 2021) |
| NOYA Warrants | \$nil | \$40 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the Company estimated that the fair value of the NOYA warrants is \$nil |
| Greenhouse Juice Secured Convertible Debenture | \$3,310 | \$5,600 | (Level 3): Market approach – based upon number of conversion shares and an estimated per share value based upon indications of interest received by Greenhouse Juice from third parties, and corroborated with reference to market-based multiples applied to Greenhouse Juice's operating results to derive the implied enterprise and equity value of the company | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Conversion shares Indicative value per share from third party indications of interest <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price |

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| | Fair value as at Mar. 31, 2022 | Fair value as at Mar. 31, 2021 | Fair value hierarchy and technique | Key inputs |
|---|--------------------------------|--------------------------------|---|--|
| Greenhouse Juice Warrant | \$nil | \$20 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the Company estimated that the fair value of the Greenhouse Juice control warrant is \$nil |
| High Beauty Convertible Promissory Note | \$590 | \$970 | (Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Principal amount advanced Interest rate Maturity date <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Discount rate (20% at Mar. 31, 2022; not applicable at Mar. 31, 2021) Probability adjustment (50% at Mar. 31, 2022; not applicable at Mar. 31, 2021) |
| BioLumic Second Convertible Promissory Note | N/A | \$650 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the second convertible promissory note had converted into preferred shares of BioLumic |
| Dynaleo Warrants | \$190 | \$810 | (Level 3): Black-Scholes option pricing model | <i>Key observable inputs:</i> <ul style="list-style-type: none"> Exercise price (\$1.42 at Mar. 31, 2022; \$1.42 at Mar. 31, 2021) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> Share price (\$1.25 at Mar. 31, 2022; \$2.00 at Mar. 31, 2021) Expected life (0.5 years at Mar. 31, 2022; 1.0 year at Mar. 31, 2021) Expected annualized volatility (70% at Mar. 31, 2022; 70% at Mar. 31, 2021) |
| Headset Convertible Promissory Note | N/A | \$1,100 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the convertible promissory note had converted into preferred shares of Headset |
| Canapar Contingent Consideration | N/A | \$1,000 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the contingent consideration had been satisfied through the issuance of 2,105,263 common shares of RAMM and derecognized |
| CGC Common Shares | N/A | \$143,900 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the Company no longer held common shares of CGC |
| RAMM Common Shares | \$514 | \$nil | (Level 1): Quoted share price | <ul style="list-style-type: none"> Not applicable |
| Total | \$11,644 | \$164,030 | | |
| Financial assets – fair value through other comprehensive income | | | | |
| Nova Cannabis Common Shares | N/A | \$1,718 | Not applicable | <ul style="list-style-type: none"> As at March 31, 2022, the Company no longer held common shares of Nova Cannabis |

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| | Fair value as at Mar. 31, 2022 | Fair value as at Mar. 31, 2021 | Fair value hierarchy and technique | Key inputs |
|--|--------------------------------|--------------------------------|--|---|
| Headset Preferred Shares | \$6,000 | \$4,000 | (Level 3): Market approach – most recent financing: based upon per share valuation in Headset's November 2021 equity financing, adjusted for FX gains/losses | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price • FX rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price |
| ZeaKal Preferred Shares | \$12,500 | \$12,600 | (Level 3): Market approach – most recent financing: based upon per share valuation in ZeaKal's August 2019 equity financing, adjusted for FX gains/losses | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price • FX rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price |
| BioLumic Preferred Shares | \$4,500 | \$2,000 | (Level 3): Market approach – most recent financing: based upon per share valuation implied by BioLumic's March 2022 equity financing, adjusted for FX gains/losses | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price • FX rate <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price |
| Dynaleo Common Shares | \$1,810 | \$2,900 | (Level 3): Market approach – most recent financing: based upon warrant exercise price in Dynaleo's March 2022 debt financing | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Warrant exercise price <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price |
| Total | \$24,810 | \$23,218 | | |
| Equity method investees – fair value less costs of disposal | | | | |
| Greenhouse Juice Preferred Shares | \$2,190 | \$2,139 | (Level 3): Market approach – based upon an estimated per share value based upon indications of interest received by Greenhouse Juice from third parties, and corroborated with reference to market-based multiples applied to Greenhouse Juice's operating results to derive the implied enterprise and equity value of the company | <i>Key observable inputs:</i> <ul style="list-style-type: none"> • Indicative value per share from third party indications of interest <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price |
| Total | \$2,190 | \$2,139 | | |

As at March 31, 2022, the Company also owned a convertible debenture and common share purchase warrants of Civilized and preferred share purchase warrants of High Beauty, which are not included in the table above as the estimated fair values of these investments were \$nil at both the beginning and the end of the reporting period.

As at March 31, 2022, the total fair values by fair value hierarchy level are as follows:

Financial assets

- Level 1: \$514 (March 31, 2021 – \$145,618)

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- Level 2: \$nil (March 31, 2021 – \$nil)
- Level 3: \$38,130 (March 31, 2021 – \$43,769)

No transfers between fair value levels occurred during the year ended March 31, 2022.

The following valuation techniques and the corresponding significant unobservable inputs are used by the Company for instruments categorized in Level 3 of the fair value hierarchy:

- Income approach (Level 3) – Discounted cash flows are used to capture the present value of the expected future economic benefits to be derived from certain investments in the Company's portfolio. Significant unobservable inputs and the relationship to fair value can include the following:
 - Cannabis production, considering management's experience and knowledge of the investees' growing facilities. An increase in this input would result in an increase in fair value.
 - Discount rate determined based upon expected rates of return for similar-stage ventures commensurate with the risk inherent in achieving the expected cash flows. An increase in this input would result in a decrease in fair value.
- FinCAD model with Monte Carlo simulation (Level 3) – Partial Differentiate Equation method with a system of coupled Black-Scholes equations. Simulates the cash flows an optimally behaving holder of a convertible bond will receive, bifurcating the debt and option components, with consideration of the following inputs:
 - Company equity value: An increase in this input would result in an increase in the fair value of the option component.
 - Volatility of company equity value: An increase in this input would result in an increase in the fair value of the option component.
 - Implied credit spread: An increase in this input would result in a decrease in the fair value of the debt component.
 - Expected life (years): An increase in this input would result in an increase in the fair value of the option component and a decrease in fair value of the debt component.
- Cost approach (Level 3) – A range of recoverability estimates, expressed as a percentage of carrying value, is applied to the carrying values of assets and liabilities to estimate an entity's adjusted book value, with consideration of the following inputs:
 - Recoverability percentages: An increase in the recoverability percentage of a company's assets would result in an increase in fair value, and an increase in the recoverability percentage of the company's liabilities would result in a decrease in fair value.

The Company performed sensitivity analyses over key inputs to Level 3 investments and has outlined the potential corresponding impact on total comprehensive income (loss) below. The illustrative changes to the fair values of the financial instruments presented below have been determined based upon changes to individual inputs independently, without consideration of the impact of such change on other variables that influence value. The realization of the sensitivities outlined below would have affected the Company's net changes in fair value of financial assets at FVTPL and would not have had a material impact on cash flows from operations.

| Investee | Instrument | Input | Assumption | Change | Impact |
|-----------|------------------|---------------------------|------------|---------------|-----------|
| Agripharm | Royalty interest | Recoverability percentage | Various | - 10.0% (abs) | \$(1,400) |
| NOYA | Royalty interest | Discount rate | 32.5% | + 2.5% (abs) | \$(200) |

(e) Market risk

Market risk is the risk that changes in market prices will affect the value of the Company's financial instruments or its earnings. The Company attempts to maximize returns while managing and controlling exposures within acceptable limits. The Company is exposed to equity price risk, which arises from investments measured at FVTPL and FVTOCI.

(f) Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar and other foreign currencies will affect the Company's operations and financial results. The functional currency

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of the Company and its subsidiaries is the Canadian dollar, with the reporting currency of the Company being the Canadian dollar. The Company and its subsidiaries hold cash and cash equivalents in U.S. dollars. The Company does not currently engage in currency hedging activities to limit the risks of currency fluctuations. Consequently, fluctuations in the U.S. dollar/Canadian dollar exchange rate could have a negative impact on the Company's financial results. A 1.0% increase in the value of the U.S. dollar compared to the Canadian dollar would result in a \$5,182 potential gain. A 1.0% decrease in the value of the U.S. dollar compared to the Canadian dollar would result in a \$2,607 potential loss. Other than U.S.-denominated cash, the Company does not hold significant monetary assets or liabilities in currencies other than its functional currency. The Convertible Note I with The Hawthorne Collective is denominated in Canadian dollars.

17. CAPITAL MANAGEMENT

The Company's objective is to maintain a sufficient capital base so as to: (i) maintain investor, investee, and, if applicable, creditor and customer, confidence; (ii) sustain future development of the business; and (iii) provide the ability to continue as a going concern. The Company considers its capital structure to include shareholders' equity and, to the extent it exists, interest-bearing debt.

The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares or debt to maintain or adjust its capital structure. Please refer to Note 13(a) for additional details on share capital.

As at March 31, 2022, total managed capital was \$431,237 (March 31, 2021 – \$311,460), comprised of shareholders' equity of \$330,784 (March 31, 2021 – \$311,460) and interest-bearing debt of \$100,453 (March 31, 2021 – \$nil). As at March 31, 2022, the Company is not subject to any externally imposed capital requirements (March 31, 2021 – \$nil).

There were no changes to the Company's approach to capital management during the period.

18. COMMITMENTS AND CONTINGENCIES

As at March 31, 2022, the Company had the following obligations:

| Financial obligations | Total | Payments Due by Period | | | |
|--|-------------------|------------------------|---------------|--------------|-------------------|
| | | < 1 Year | 1 to 3 Years | 4 to 5 Years | > 5 Years |
| Accounts payable and accrued liabilities | \$ 4,767 | \$ 4,767 | \$ - | \$ - | \$ - |
| Lease liability ⁽¹⁾ | 549 | 346 | 203 | - | - |
| Convertible Note I ⁽²⁾ | 196,127 | - | - | - | 196,127 |
| Total financial obligations | \$ 201,443 | \$ 5,113 | \$ 203 | \$ - | \$ 196,127 |

(1) Based on the minimum lease payments due on the Company's office space in Toronto on a non-discounted basis.

(2) Assumes the principal balance as at March 31, 2022, remains outstanding at the maturity date. Includes the estimated accrued and unpaid interest over the life of Convertible Note I.

19. EARNINGS PER SHARE

Basic EPS is calculated by dividing the net income (or loss) of the Company by the weighted average number of Common Shares outstanding during the period. Diluted EPS is calculated by dividing the net income (or loss) of the Company by the weighted average number of Common Shares outstanding during the period as if potentially dilutive Common Shares have been issued during the period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

(Expressed in CA\$000's except share amounts)

The following tables set forth the calculation of basic and diluted EPS for the year ended March 31, 2022, and 2021:

| | <u>Year ended March 31, 2022</u> | | | <u>Year ended March 31, 2021</u> | | |
|---------------------|----------------------------------|---|-----------------|----------------------------------|---|-----------------|
| | Net loss | Weighted avg. number of shares | EPS | Net loss | Weighted avg. number of shares | EPS |
| Basic | \$ (52,731) | 142,420,017 | \$(0.37) | \$ (133,880) | 186,028,610 | \$(0.72) |
| Dilutive securities | | - | | | - | |
| Diluted | \$ (52,731) | 142,420,017 | \$(0.37) | \$ (133,880) | 186,028,610 | \$(0.72) |

20. SUBSEQUENT EVENTS

On April 22, 2022, the Company announced completion of the Initial Etain Closing. In connection with the Initial Etain Closing, RIV Capital acquired the non-regulated portion of the Etain Companies for U.S.\$197,605 through a combination of U.S.\$169,775 in cash and 21,092,335 newly issued Common Shares, subject to customary post-closing adjustments. An additional amount of approximately U.S.\$49,401, subject to adjustment, will be paid in connection with the second closing of the Etain Acquisition (the "Second Etain Closing") through a combination of cash and newly issued Common Shares subject to, among other things, receipt of all required regulatory approvals, including from the New York Cannabis Control Board and the New York State Office of Cannabis Management. The Second Etain Closing is expected to occur in the second half of 2022.

On April 22, 2022, concurrent with the Initial Etain Closing, The Hawthorne Collective completed an additional U.S.\$25,000 investment in the Company pursuant to an unsecured convertible promissory note ("Convertible Note II") issued by RIV Capital (the "Second Hawthorne Investment" and together with the Initial Hawthorne Investment, the "Hawthorne Investments"). Convertible Note II carries a conversion price of \$1.65 per Common Share. Convertible Note II was purchased pursuant to rights existing under the Initial Hawthorne Investment. To finance the cash portion of the consideration payable pursuant to the Initial Etain Closing, the Company utilized the proceeds received from the Hawthorne Investments.

On April 21, 2022, the Company and High Beauty amended certain terms of the senior secured convertible debenture agreement. As a result of the agreed-upon amendments, the maturity date was extended to July 22, 2022.

On April 29, 2022, the Company and Greenhouse Juice amended certain terms of the senior secured convertible debenture agreement. As a result of the agreed-upon amendment, the maturity date was extended to June 1, 2022.

On May 24, 2022, the Company announced that it had received notice of an Ontario Superior Court of Justice application by JW Asset Management, LLC ("JWAM") in connection with the Company's process regarding its acquisition of ownership and control of Etain. JWAM seeks a declaration that the management, business, or affairs of the Company have been conducted in a manner that is oppressive or unfairly prejudicial or that unfairly disregards the interests of JWAM as a shareholder of the Company. JWAM also seeks an order requiring the Company to purchase JWAM's Common Shares at fair value as of March 29, 2022, the day prior to the announcement of the Etain Acquisition. The Company's position is that the Etain Acquisition complied with all applicable laws and stock exchange requirements and that the position advanced by JWAM is baseless and wholly without merit. The Company intends to ask the court to dismiss the application and award the Company its costs of defending it. The initial hearing is expected to be held in early September 2022. If JWAM is ultimately successful in its application, fair value would be determined by the court at a subsequent hearing.