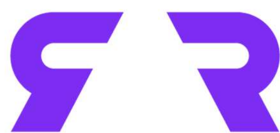


RIV CAPITAL

RIV CAPITAL INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

Date: August 13, 2021

RIV Capital Inc. (the "Company" or "RIV Capital") is the parent company of RIV Capital Corporation ("RCC"). References in this Management's Discussion and Analysis ("MD&A") to "RIV Capital" or the "Company" refer to RIV Capital Inc. and/or its subsidiaries, as applicable. RIV Capital is a publicly-traded corporation, incorporated under the laws of the Province of Ontario and located at 2504 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3Y2. The Company's shares (the "Common Shares") are listed on the Toronto Stock Exchange (the "TSX") 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 investment or acquisition opportunities in established U.S.-based operating businesses.

This MD&A reports on the financial condition and results of operations of RIV Capital for the three months ended June 30, 2021 and 2020. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended June 30, 2021 and 2020 (the "Interim Consolidated Financial Statements"), including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A provides information for the three months ended June 30, 2021, and up to and including August 13, 2021.

By their nature, the Interim Consolidated Financial Statements do not include all of the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements for the twelve months ended March 31, 2021 and 2020, and the notes thereto (the "Annual Consolidated Financial Statements"), and the related MD&A for the three and twelve months ended March 31, 2021 and 2020 (the "Annual MD&A"), each dated June 2, 2021.

Additional information, including this MD&A, the Interim Consolidated Financial Statements, the Annual MD&A, the Annual Consolidated Financial Statements, the Company's annual information form dated June 28, 2021 (the "AIF"), and the Company's press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and also on the Company's website at www.rivcapital.com.

The Interim Consolidated Financial Statements and this MD&A have been reviewed by the Company's audit committee (the "Audit Committee") and approved by the Company's board of directors (the "Board") on August 13, 2021.

As of the date hereof, RIV Capital does not engage in the cultivation or distribution of cannabis in the United States ("U.S.") for the purposes of the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"). However, following the completion of the CGC Transaction (as defined herein and as more particularly described in "Corporate Structure and Company Overview"), the Company shifted its strategic focus to the pursuit of investments or acquisitions in the U.S. cannabis market. As such investments or acquisitions may involve the cultivation or distribution of cannabis in the U.S., the Company may become subject to additional disclosure expectations under the Staff Notice.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” within the meaning of applicable Canadian securities laws. All information, other than statements of historical fact, included in this MD&A that address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including things such as future business strategy, competitive strengths, goals, expansion, and growth of the Company’s and the Investees’ (as defined herein) businesses, operations, plans, and other matters, is forward-looking information. To the extent any forward-looking information in this MD&A constitutes “financial outlooks” within the meaning of applicable Canadian securities laws, the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, statements relating to:

- the assumptions and expectations described in the Company’s critical accounting policies and estimates;
- the adoption and impact of certain accounting pronouncements;
- the Company’s expectations regarding legislation, regulations, and licensing related to the Canadian and global cannabis markets and product offerings in Canada and internationally;
- the evolution of cannabis markets globally and the potential for global investment opportunities to arise;
- the expected number of users of medical cannabis and the size of the medical cannabis market in Canada and internationally;
- the expected number of users of adult-use cannabis and the size of the adult-use cannabis market (including the market for edibles and alternative cannabis products) in Canada and internationally;
- the Company's exposure to risks related to the cannabis industry and the ability of Investees to make royalty payments;
- the potential time frame for the implementation of legislation and related regulations regarding the production, sale, and use of hemp in the U.S. and the potential form that implementation of the legislation and related regulations will take;
- the potential time frame for the implementation of legislation for a regulated medical or adult-use market, or related activities, in the U.S. and internationally, and the potential form that implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted in the U.S. or various international jurisdictions, as applicable;
- the Company’s expectations as to whether and when the Hawthorne Investment (as defined herein) will be consummated, the anticipated benefits of the Hawthorne Investment, and the proposed uses of the proceeds thereof;
- the Company's expectation that it will be the preferred vehicle of The Scotts Miracle-Gro Company (“ScottsMiracle-Gro”) for cannabis-related investments not currently under the purview of its subsidiary, The Hawthorne Gardening Company;
- the de-listing of the Company's securities from the TSX and the anticipated listing of its securities on the Canadian Securities Exchange (the “CSE”);
- the impact of U.S. legislative changes related to cannabis on the ability of the Company to invest in the U.S.;
- the plans, strategies, and objectives of the Company and the Investees, including the expected timing for implementing such plans, strategies, and objectives and expectations regarding international investment opportunities and the Company’s ability to enter and participate in such opportunities;
- the Company’s expectations with respect to its future financial and operating performance, including with respect to the impact of the Investees’ operating results and the anticipated cash profitability of its business;
- the Company’s expectations with respect to its future financial results, and terms of strategic initiatives and strategic agreements;
- the potential impact of infectious diseases, including the COVID-19 (as defined herein) pandemic, and other general economic trends on the Company and the Investees;
- the continued impact of COVID-19 on the Company, including its operations, liquidity, financial results, supply and staff shortages for certain Investees, and the demand for certain Investees’ products and services;
- the effects of COVID-19 on the global economy and financial markets;
- the Company’s expectations with respect to the business activities and future financial and operating performance of its domestic and international Investees;
- expectations regarding timing and receipt of cash inflows at PharmHouse (as defined herein) following the termination of CCAA Proceedings (as defined herein);
- expectations regarding timing and receipt of cash inflows from certain Investees, including Agripharm (as defined herein), where the Company has recognized a provision for credit losses on the receivable;
- the Company’s expectations about the growth and future market volatility of the cannabis industry;
- future investments, the need for additional financing, the potential for additional dilution as a result of issuing additional equity securities, other business activities, and corporate development, including potential

investment structures, including by way of investments in or acquisitions of, companies that may have operations in the U.S.;
- the Company's expectations with respect to future expenditures and capital activities, including the ability to access the capital markets and obtain additional financing on terms acceptable to the Company, if at all;
- the potential for the Company to invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees;
- the management of the Company's portfolio, including its growth, optimization, and capital allocation;
- the Company's dividend policy and its current stated goal to reinvest retained earnings, if any; and
- statements about expected use of proceeds from fund raising activities.

Investors are cautioned that forward-looking information is not based on historical fact, but instead is based on the reasonable assumptions and estimates of management of the Company at the time they are made and involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled "Risks and Uncertainties" herein and the section entitled "Risk Factors" in the AIF. Financial outlooks, as with forward-looking information generally, are, without limitation, based on assumptions and subject to various risks as discussed in the section entitled "Risks and Uncertainties" herein and the section entitled "Risk Factors" in the AIF. The Company's actual financial position and results of operations may differ materially from management's current expectations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from statements contained in forward-looking information, there may be other factors that cause results to not be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and the Company does not intend or undertake any obligation to publicly revise or update any forward-looking information that is included in this MD&A, whether as a result of new information, future events, or otherwise, other than as required by applicable law.

THIRD-PARTY INFORMATION

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

CORPORATE STRUCTURE AND COMPANY OVERVIEW

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

RIV Capital was incorporated as "AIM2 Ventures Inc." on October 31, 2017, under the *Business Corporations Act* (Ontario) (the "OBCA"). Prior to completing the Qualifying Transaction (as defined herein), the Company was a capital pool company under Policy 2.4 of the TSX Venture Exchange (the "TSXV") Corporate Finance Manual. As a capital pool company, the Company had no assets other than cash and did not carry on any active business operations.

On September 17, 2018, the Company completed the acquisition of 100% of the issued and outstanding securities of Canopy Rivers Corporation ("CRC PrivateCo") in connection with a business combination involving the Company and CRC PrivateCo (the "Qualifying Transaction"). In connection with the Qualifying Transaction, on September 14, 2018, the Company changed its name from "AIM2 Ventures Inc." to "Canopy Rivers Inc.".

On February 23, 2021, the Company, RCC, Canopy Growth Corporation ("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, 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".

Please refer to the Company's Management Information Circular in respect of the CGC Transaction dated January 15, 2021 (the "CGC Transaction Circular"), Annual Consolidated Financial Statements, Annual MD&A, and AIF for additional details about the CGC Transaction.

As of the date of this MD&A, the Company has three wholly-owned subsidiaries: RCC (a corporation existing under the *Canada Business Corporations Act*), as well as 2683922 Ontario Inc. and River Brands Inc. (formerly 2697688 Ontario Inc.) (both of which are corporations existing under the OBCA). These wholly-owned subsidiaries are, or are expected to be, the direct owners of the various securities in which the Company has invested.

Since its formation, the Company has engaged in strategic transactions with companies licensed under the Canadian national regulatory framework for cannabis cultivation, processing, and sale (currently, the *Cannabis Act* (Canada) and *Cannabis Regulations*, as amended (collectively, the "Cannabis Act")) for adult-use and medical cannabis, licence applicants under the Cannabis Act, companies with licences from provincial authorities for the retail distribution of cannabis in various provinces across Canada, and ancillary businesses related to the cannabis industry. In connection with the completion of the CGC Transaction, the Company announced a shift in its strategic focus to the U.S. cannabis market. The Company aims to create a global business with the potential to generate a significant and sustained return on invested capital over the long-term.

CORPORATE AND INVESTMENT STRATEGY

Prior to the closing of the CGC Transaction, the Company was a venture capital firm specializing in cannabis. The Company's business strategy was to create shareholder value through the continued deployment of strategic capital throughout the global cannabis sector. The Company identified strategic counterparties that were seeking financial and/or operating support, and aimed to provide investor returns through dividends and capital appreciation, while also 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.

RIV Capital historically made investments through a variety of financial structures (including common and preferred equity, debt, royalty, joint venture, and profit-sharing agreements, among others) in 20 companies, and in doing so established a diversified portfolio of investments, which included large-scale greenhouse cannabis cultivators, small-scale premium cannabis cultivators, agriculture-technology companies, international hemp processors, brand developers and distributors, retail distribution licence operators, data, software, and other technology and media platforms, edible and beverage companies, and beauty brands. In connection with the shift in investment strategy discussed herein, the Company has capitalized on monetization opportunities such that its active portfolio of investees has decreased.

On February 23, 2021, the Company completed the CGC Transaction. Upon completion of the CGC Transaction, the Board, in consultation with management and external advisors, comprehensively re-evaluated the Company's business and investment strategy. Accordingly, the Company has shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. As such investments or acquisitions may be inconsistent with the policies of the TSX, the Company is de-listing from the TSX and intends to list its securities on the CSE.

On August 10, 2021, the Company announced that it entered into a definitive agreement with The Hawthorne Collective, a newly-formed cannabis-focused subsidiary of ScottsMiracle-Gro, for the purchase by The Hawthorne Collective of a U.S. $150,000 unsecured convertible note from RIV Capital (the "Hawthorne Investment"). While there are certain restrictions relating to the permissible uses of the proceeds from the Hawthorne Investment as it relates to the Company's strategy of investing in, or acquiring, cannabis-related operating business in the U.S., the Company anticipates that there are a number of permissible uses that will help further the Company's go-forward strategy.

In addition to pursuing a strategy targeting opportunities in the U.S. cannabis market, the Company plans to continue to manage its existing portfolio in a manner intended to facilitate growth, optimize capital allocation, and maximize value to its shareholders.

DESCRIPTION OF BUSINESS AND INDUSTRY

Developing the RIV Capital Ecosystem

The long history of a medical cannabis regulatory framework in Canada, combined with the legalization in 2018 of a regulated adult-use market nationally, created a significant opportunity for the commercialization of cannabis and

ancillary cannabis businesses. CRC PrivateCo was formed in April 2017 to pursue investment opportunities in this emerging market, with an initial focus on Canadian investment opportunities. As cannabis markets around the world continued to evolve, global investment opportunities emerged as well.

The commercialization of cannabis through medical and adult-use regulatory reform has created economic opportunities for entities directly involved in the production of cannabis globally. These opportunities extend beyond strictly cultivation and production-focused investments, as new businesses are constantly emerging to address the cannabis industry's rapidly evolving ancillary segments and markets. Concurrent with the emergence of this new global industry, there has been a proliferation of businesses that provide products and services related to the broader cannabis economy, including software and technology platforms, device manufacturers, and plant science innovators. These ancillary businesses may also include companies that are well-established in traditional sectors and are in the process of, or are capable of, pivoting or augmenting their business models to capitalize on the new opportunities that cannabis presents.

The Company's historical focus was to create an ecosystem of diverse and complementary cannabis companies that represented various verticals of the cannabis value chain and that it believed were well positioned to become leaders within their respective niches. The Company aimed to develop a diversified portfolio in terms of both the types of companies in which it invested, and the types of structures used in these investments. As noted above, in connection with the shift in investment strategy discussed herein, the Company has recently capitalized on monetization opportunities and streamlined its legacy portfolio.

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

Company(1)(2)	Location of Operations
Agripharm	Canada (Alberta, British Columbia, Saskatchewan, and Ontario)
BioLumic	New Zealand, U.S. and Europe
Dynaleo	Canada (Ontario and Alberta)
Greenhouse Juice	Canada (Ontario)
Headset	Canada (Alberta, British Columbia, Ontario, and Saskatchewan) and U.S.
High Beauty	U.S., Canada, Europe, Hong Kong, and the UAE
LeafLink International	Canada (Ontario)
NOYA	Canada (Ontario)
ZeaKal	U.S. and New Zealand

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

(2) As of the date of this MD&A, the Company also has certain financial interests in Civilized, Herbert, PharmHouse, and RAMM (each as defined herein). These companies are not included above due to various factors, including, but not limited to, the fact that the Company is not actively engaged with certain of these companies or the Company does not currently ascribe any value to certain of these financial interests, among other items.

As discussed above in "Corporate and Investment Strategy", upon completion of the CGC Transaction, the Board comprehensively re-evaluated the Company's business and investment strategy. As a result, the Company has shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market.

The Company believes that the market opportunity in the U.S. continues to be significant, and that current political and regulatory conditions represent a unique opportunity for entities seeking and willing to deploy capital into plant-touching businesses in the U.S. The U.S. cannabis market is currently comprised of 19 states where cannabis is legal for adult use and 36 states where cannabis is legal for medical use, representing a large addressable population. According to data published by BDS Analytics and Arcview Market Research in March 2021, the country's legal cannabis sales totaled approximately US$17.5 billion in 2020. The Company expects sales to trend higher as a result of a continuation of medical and adult-use programs rolling out across states. Despite the changing political environment, many participants in the U.S. cannabis market continue to experience uncertain and constrained access to capital. Accordingly, the Company believes that, with the completion of the CGC Transaction, it is well-positioned with its strong balance sheet and existing expertise and knowledge of the U.S. cannabis landscape to enter the U.S. market in earnest.

Cannabis Regulatory Framework in Canada

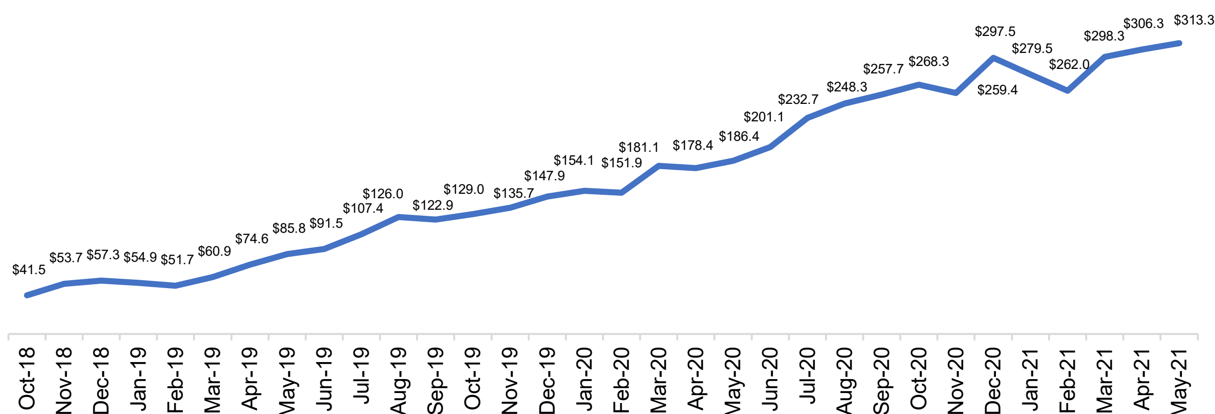
Medical cannabis has been legal in Canada since 2001 through various regulatory regimes. On October 17, 2018, the Cannabis Act came into force. The Cannabis Act governs both the medical and the regulated adult-use markets in

Canada. Under the Cannabis Act, Health Canada has been granted the authority to issue a wide range of licences, including licences for standard cultivation, micro-cultivation, industrial hemp cultivation, and nursery cultivation, licences for standard processing and micro-processing, medical sales licences, and licences for analytical testing and research. In addition, federal regulations include various labeling and branding requirements.

The distribution and sale of cannabis for adult-use purposes is regulated under the individual authority of each provincial and territorial government, and as such, regulatory regimes vary from jurisdiction to jurisdiction. With respect to retail sales of cannabis, certain provinces and territories allow only for government-run cannabis stores, whereas others, such as Ontario, leave the retail sale of cannabis to the private sector. In addition, other provinces and territories, such as British Columbia, allow for a hybrid model in which both public and private stores can operate.

Estimates of the size of the legal market for adult-use cannabis in Canada have varied greatly among industry observers, and initial projections failed to account for some of the operational growing pains that would be experienced by operators during Canada's initial years of cannabis legalization. Despite the early and, in some respects, ongoing challenges experienced by the industry, the emerging sector is demonstrating positive momentum. The continued development of brick-and-mortar retail infrastructure and loosening of restrictions implemented in response to COVID-19 are expected to foster further industry growth by improving accessibility to the legal cannabis market through an increase in the number of access points for Canadians to purchase legal cannabis. It is also expected that the continued adoption of new cannabis product formats, including edible cannabis, cannabis extracts, and cannabis topical products, will support industry growth and further encourage consumers to migrate from the illicit market to the legal market.

The graphic below highlights the steady growth of cannabis retail sales in Canada since adult-use legalization.[1]



Cannabis Regulatory Framework in the United States

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale, and possession of cannabis under the Cannabis Act, in the U.S., cannabis is regulated differently at the federal and state level. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis continues to be categorized as a Schedule I controlled substance under the U.S. Controlled Substances Act (the "CSA"), making it illegal under federal law in the U.S. to cultivate, distribute, or possess cannabis. This means that while state laws may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens of those states for activity that is legal under state law. As at the date of this MD&A, and as mentioned above, 36 states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Island), have legalized the cultivation and sale of cannabis for medical purposes. In 19 of those jurisdictions, the sale and possession of cannabis is legal for both medical and adult use, and the District of Columbia has legalized adult use, but not commercial sale. In February 2021, the Virginia legislature enacted legislation that would legalize cannabis for adult use beginning in 2024. Virginia is the first southern state to legalize cannabis for adult use. Also in February 2021, New Jersey Governor Phil Murphy signed three bills into law

[1] Source: Statistics Canada.

that legalize cannabis for adult use. At the end of March 2021, New York enacted legislation to legalize recreational use of cannabis, becoming the 15th state to do so.

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

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of U.S. attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

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

It is unclear what specific impact the new Biden administration will have on U.S. federal government enforcement policy, and there is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and there can be no assurances as to the timing or scope of any such potential amendments), there is a risk that federal authorities may enforce current U.S. federal law, including in respect of the cultivation, distribution, sale, and possession of cannabis.

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

On December 20, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law by the former President Donald Trump in the U.S. The 2018 Farm Bill, among other things, removed industrial hemp and its cannabinoids, including cannabidiol ("CBD") derived from industrial hemp (as defined in the 2018 Farm Bill), from the CSA and amended the Agricultural Marketing Act of 1946 to allow for industrial hemp

production and sale in the U.S. Under the 2018 Farm Bill, industrial hemp is defined as “the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The U.S. Department of Agriculture (the “USDA”) has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the USDA to review and approve any state-promulgated regulations relating to industrial hemp. On October 31, 2019, the USDA issued interim final regulations that imposed certain testing and other requirements in order to assure that crops to be sold as industrial hemp will meet the statutory limitations. On February 27, 2020, the USDA announced that it would delay enforcement of certain requirements of the interim final regulations pertaining to analytical testing and disposal requirements until October 31, 2021, or publication of the final rule, whichever occurred first. On January 11, 2021, the USDA announced the final regulations, with an effective date of March 22, 2021. The final regulations generally track the interim final regulations, though with some modifications.

Further, under the 2018 Farm Bill, the United States Food and Drug Administration (the “FDA”) has retained its authority to regulate products containing cannabis or cannabis-derived compounds, including CBD, under the Food, Drug and Cosmetics Act (the “FDCA”) and section 351 of the Public Health Service Act. On May 31, 2019, the FDA held its first public meeting to discuss the regulation of cannabis-derived compounds, including CBD. The meeting included stakeholders across academia, agriculture, consumer, health professional, and manufacturer groups, and was intended to explore new pathways for hemp-derived CBD to be sold legally in the food and supplement markets, while protecting research into future pharmaceutical applications. The FDA has expressed an interest in fostering innovation regarding the development of products containing hemp-derived compounds, such as CBD; however, the FDA has indicated that those actions will have to fit under the confines of current law and further legislation will likely be required. In November 2019, the FDA issued guidance and a description of its activities, in which the FDA stated that only hemp seed oil, hulled hemp seed, and hemp seed powder were “Generally Recognized as Safe” (“GRAS”) as ingredients in food, and that CBD and tetrahydrocannabinol (“THC”) were not GRAS. In the guidance, the FDA has taken the position that a food product or dietary supplement containing CBD would be “adulterated” and could not legally be marketed in the U.S. The FDA has continued to issue warning letters to manufacturers of food or dietary supplements that are labeled as including CBD. The FDA has approved one prescription drug containing CBD and has taken the position that no other product can be marketed as containing CBD without approval as a new drug. There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. Additionally, the 2018 Farm Bill does not legalize “marihuana” (as such term is defined in the CSA), which remains a Schedule I controlled substance under the CSA.

On November 3, 2020, ballot initiatives regarding the establishment of medical use regulatory frameworks in Mississippi and South Dakota, and adult-use regulatory frameworks in Arizona, New Jersey, Montana, and South Dakota, successfully passed. Additionally, by mid-2021, Connecticut, New Mexico, New York, and Virginia passed legislation to allow adult use of cannabis. Other states, including Pennsylvania and Rhode Island, are currently considering the implementation of adult-use regulatory frameworks as well. Furthermore, multiple legislative reforms related to cannabis have been introduced in the U.S. Congress. Examples include the proposed bills styled as the Cannabis Administration and Opportunity Act, the Medical Marijuana Research Act, the Marijuana Opportunity Reinvestment and Expungement Act, the Strengthening the Tenth Amendment Through Entrusting States Act, and the Secure and Fair Enforcement Banking Act (the “SAFE Banking Act”). Currently, although the SAFE Banking Act has passed the House of Representatives and is pending in the Senate, none of these proposed bills have been approved by both chambers and none have yet been presented to President Biden for signature. The emergence and ongoing effect of the COVID-19 pandemic may impact the timeline for the potential passage of these reforms as regulators prioritize their response to the health and economic crisis. There can be no assurance that any of these pieces of legislation will become law in the U.S.

On October 16, 2017, the TSX provided clarity regarding the application of Sections 306 (Minimum Listing Requirements) and 325 (Management) and Part VII (Halting of Trading, Suspension and Delisting of Securities) of the TSX Company Manual (collectively, the “Requirements”) to applicants and TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017-0009 – *Business Activities Related to Marijuana in the United States*, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the Requirements. These business activities may include: (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution, or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the Requirements, the TSX has the discretion to initiate a delisting review.

In addition, on February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice, which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state’s regulatory framework. All issuers with U.S.

cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

Please refer to "Description of Business and Industry – Corporate Position on Conducting Business in the United States and Other International Jurisdictions Where Cannabis is Federally Illegal" and "Risks and Uncertainties" herein, as well as "Risk Factors" in the AIF for additional details.

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

RIV Capital is not currently considered to be a U.S. Marijuana Issuer (as defined in the Staff Notice) nor does RIV Capital have material ancillary involvement in the U.S. cannabis industry in accordance with the Staff Notice. Furthermore, RIV Capital and the Investees are not currently directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice).

While the Company does not currently engage in activities in the U.S. related to cultivating and distributing cannabis, upon completion of the CGC Transaction, the Board, in consultation with management and external advisors, comprehensively re-evaluated the Company's business and investment strategy. The Company has shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. As of the date of this MD&A, the Company has only conducted business and invested in entities in jurisdictions outside of Canada where such operations are legally permissible and in compliance with the policies of the TSX.

As any investments or acquisitions in the U.S. cannabis market may be inconsistent with TSX Staff Notice 2017-0009, the Company will de-list its securities from the TSX and intends to list its securities on the CSE, which does not prohibit such investments or acquisitions. The Company has submitted an application to voluntarily de-list its Common Shares from the TSX and has received conditional approval to list on the CSE, which it intends to complete prior to August 24, 2021, in order to compliantly execute its go-forward strategy.

The Company is also in discussions with current service providers whose terms of service prohibit the Company from making investments or acquisitions in the U.S. cannabis market regarding any necessary transition to service providers whose terms of service would not prohibit such activities. Based on its discussions to date, the Company believes that it will be able to complete any required transition to new service providers on a timely basis and prior to undertaking any activities in the U.S. cannabis market.

Please refer to "Risks and Uncertainties" herein and "Risk Factors" in the AIF for additional details.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a global pandemic. COVID-19 continues to spread in Canada, the U.S., and globally, including in multiple jurisdictions where the Company and the Investees have operations. The COVID-19 pandemic has caused companies and various international jurisdictions to impose restrictive measures such as quarantines, business closures, and travel restrictions and has had a negative impact on the global economy. The situation is continuing to evolve, but the Company continues to monitor developments and actively assess the impact of the COVID-19 pandemic on its employees, service providers, the Investees, and the Company as a whole, and, where possible, has adopted measures to mitigate such impact.

The health and safety of the Company's employees remains a top priority. In response to the COVID-19 pandemic, the Company activated a crisis response plan driven by local health authority guidelines and government mandates, which is re-evaluated on an ongoing basis. As part of its plan, the Company has implemented certain preventative measures, including a work-from-home program and restrictions on business travel and in-person meetings. The Company has also provided guidance to its employees on social distancing measures. As substantially all day-to-day activities of the Company can be fully performed by personnel working remotely, the Company has been and remains fully operational, and the operation of the Company's financial reporting systems, internal control over financing reporting, disclosure controls and procedures, and overall investment strategy remain unchanged.

COVID-19 has had an impact on the business of the Company and its Investees, and the financial prospects of certain Investees have been negatively impacted by the pandemic. For example, certain Investees, such as Greenhouse Juice and High Beauty, are dependent upon a functioning retail distribution landscape, which has been significantly impacted in both Canada and the U.S. by social distancing measures, closures, and lockdowns. Furthermore, COVID-19 initially slowed the roll-out of additional brick-and-mortar retail locations in Ontario, Canada's most populous province, and it is possible that because of this slowdown, growth of the Canadian cannabis market could come under further pressure,

which may directly impact the Company's Canadian licensed Investees, such as Agripharm and NOYA (as defined herein).

Going forward, the Company expects to continue to experience some short to medium-term negative impacts from the COVID-19 pandemic, including continued supply and staff shortages for certain Investees, a reduction in demand for certain Investees' products and services, mandated social distancing and quarantines, impacts of declared states of emergency, public health emergencies and similar declarations, increased governmental regulations, capital markets volatility, a reduction in available financing for the Company and the Investees, and an elevated cost of capital. As a result of the outbreak of the COVID-19 pandemic, regulatory developments, challenges affecting certain companies in the cannabis industry, and other general economic factors that may have an adverse impact on certain Investees, the contracts of certain Investees, including contracts with the Company, may be renegotiated or terminated.

At this time, it is impossible to predict the effect and overall impact of the COVID-19 pandemic on the operations, liquidity, and financial results of the Company or any of the Investees due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, containment and treatment of COVID-19, and the length of the travel restrictions and business closures that have been or may be imposed by government authorities. However, the impact of the COVID-19 pandemic has, and will likely continue to, adversely affect global economies and financial markets, resulting in an economic downturn that could have a material adverse effect on the business, financial condition, operating results, and cash flows of the Company and the Investees. Please refer to "Risks and Uncertainties" herein for additional details.

CORPORATE DEVELOPMENTS

Financing Activities

Overview of Capital Structure

The Company has one class of shares outstanding, Class A Common Shares ("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.

Capital Activity During the Period

There were no financings completed during the three months ended June 30, 2021.

Summary

Below is a summary of the Company's capital activity during the three months ended June 30, 2021:

	Common Shares
Opening balance – March 31, 2021	142,084,523
Exercise of consultant options	97,272
Redemption of PSUs	253,342
Ending balance – June 30, 2021	**142,435,137**

Investments

During the three months ended June 30, 2021, the Company did not add any Investees to its portfolio and divested its interest in three Investees. Please refer to the Annual Consolidated Financial Statements, Annual MD&A, AIF, and elsewhere in this MD&A for additional details on the Company's investments prior to March 31, 2021.

Investments Held as at March 31, 2021

Agripharm

Agripharm Corp. ("Agripharm") is a company licensed to cultivate, process, and sell dried and fresh cannabis, cannabis plants, cannabis seeds, edible cannabis, and cannabis extracts and topicals under the Cannabis Act. Agripharm is a joint venture between CGC, the owners of the North American entity that holds the rights to the globally-recognized

cannabis brand Green House Seed Co. (a Netherlands-based portfolio of leading cannabis businesses, including an award-winning genetics portfolio, and pioneer in the development of the European cannabis coffee shop market) and SLANG Worldwide Inc. (owner of several market-leading cannabis brands, including O.penVAPE, Pressies, and District Edibles). Pursuant to a joint venture agreement, Agripharm has sublicensed certain proprietary technology, trademarks, genetics, know-how, and other intellectual property to distribute the suite of Green House Seed Co. products and certain SLANG Worldwide Inc. products in Canada. Based in Creemore, Ontario, Agripharm currently operates a 20,000 square foot indoor production facility and a 570,000 square foot outdoor cultivation lot located on a 20-acre property that provides expansion potential.

Prior to March 31, 2021, the Company entered into a repayable debenture agreement and royalty agreement with Agripharm.

As at June 30, 2021, the Company determined that there was a significant risk that Agripharm would not be able to meet its financial obligations pursuant to the royalty agreement due to underlying financial challenges and business conditions, including the payment of the outstanding overdue royalty balance owing to the Company as at June 30, 2021, of $5,680 and future minimum annual royalties of $4,000. Accordingly, as at June 30, 2021, the Company recognized a provision for expected credit losses on the royalty receivable on its statement of financial position in the Interim Consolidated Financial Statements, and adjusted the cash flow assumptions used in its fair value estimate for the royalty interest to reflect revised projections of royalty payments based on discussions with Agripharm.

BioLumic

BioLumic Inc. (“BioLumic”) programs plants with lights. The company’s Light Signals Recipes™ unlock the natural genetic potential of seeds and seedlings to improve plant yield, quality, and disease resistance without chemicals or changes in plant production systems. The company has applied its technology and research to cannabis, soybeans, corn, lettuce, and strawberries, with plans to expand to additional controlled environment agriculture and row crop applications in the second half of 2021. BioLumic’s coupled marker gene and phenotype research is being used to define “BioLumic-Ready crops” that can achieve predictable gains using the company’s growing library of light signal treatments. In cannabis, where BioLumic has consistently achieved greater than 40% quality yield gains and significant THC/cannabinoid concentration gains, BioLumic is engaging with cultivators, nurseries, and technology partners. BioLumic expects to expand testing and development of BioLumic’s Light Signals Recipes™ to over 50 cannabis strains by early- to mid-2022 and grow its footprint by deploying Light Signals Recipes™ through integrated partner technology and production systems.

Prior to March 31, 2021, the Company entered into a second convertible promissory note agreement with, and owned preferred shares of BioLumic through the conversion of a previously-held convertible promissory note.

Dynaleo

Dynaleo Inc. (“Dynaleo”) is a company licensed to produce cannabis edibles under the Cannabis Act. Based in Nisku, Alberta, Dynaleo operates a 27,000 square foot purpose-built facility, and is focused on manufacturing edible cannabis gummies for the Canadian adult-use market by way of white-label contracts and Dynaleo-branded products.

Prior to March 31, 2021, the Company acquired (through the conversion of a previously-held unsecured convertible debenture) common shares and warrants to purchase additional common shares of Dynaleo.

Greenhouse Juice

10831425 Canada Ltd. d/b/a/ Greenhouse Juice Company (“Greenhouse Juice”) is an organic, plant-based food and beverage company. Founded in January 2014, Greenhouse Juice has expanded from a single retail store in Toronto to an omnichannel business with a number of company-owned stores, an e-commerce delivery service, and a growing network of grocery and foodservice partners with hundreds of retail locations across Canada, including both specialty boutiques and national/international chains like Whole Foods and Sobeys. Greenhouse Juice manufactures its beverages in a purpose-built, SQF-, HACCP- and organic-certified production facility in Mississauga, Ontario.

Prior to March 31, 2021, the Company entered into a senior secured convertible debenture agreement with, received preferred share purchase warrants of, and acquired (through the conversion of a previously-held unsecured convertible debenture and exercise of certain previously-held warrants) preferred shares of Greenhouse Juice. The Company also received an incremental warrant entitling it to increase its economic interest in Greenhouse Juice to 51% under certain circumstances (a control warrant).

Subsequent to June 30, 2021, the Company exercised its remaining preferred share purchase warrants of Greenhouse Juice. Please refer to “Subsequent Events” for additional information.

Headset

Headset, Inc. (“Headset”) is a market intelligence and analytics software platform for the cannabis industry. With services that provide access to information on sales trends, emerging industries, popular products, and pricing, Headset’s proprietary software platform allows customers to use data to identify new areas of opportunity, understand the competition, and tailor product development. Headset has launched its Insights market intelligence product in multiple adult-use cannabis markets in the U.S. (California, Colorado, Michigan, Massachusetts, Nevada, Oregon, Pennsylvania, and Washington) and in Canada (Alberta, British Columbia, Ontario, and Saskatchewan), and its retail data intelligence tool in Canada and the U.S.

Prior to March 31, 2021, the Company acquired preferred shares of, and entered into a convertible promissory note agreement with, Headset.

High Beauty

High Beauty, Inc. (“High Beauty”) is a multiple-brand beauty company, offering *high* and *canBE Naturally* products. Both brands are expertly formulated using hempseed oil, bioflavonoids and pure essential plant oils, to deliver the high-powered benefits of hemp for the skin. High Beauty’s products are organic aloe-based (no water), formulated with organic and clean ingredients, vegan and cruelty-free, eco-friendly, and dermatologist recommended. The company has distribution partnerships through approximately 44 retailers with approximately 2,852 stores in the U.S., Canada, Hong Kong, the United Arab Emirates, and the European Union. The *high*-branded portfolio of facial products includes a cleansing foam, facial oil, facial moisturizer, eye gel, and peeling mask. *high* recently launched its blemish products formulated with Lygos-biosynthesized CBG in the U.S., including the *high & bye* clearing gel and refining oil. *high* is sold through U.S. retailers including Macy’s, Kohls, Ross, ShopHQ, SkinStore, Revolve, and Sprouts Markets, as well as global retailers including Shopper’s Drug Mart, Today’s Shopping Choice, Hudson Bay, and Indigo in Canada, and Douglas and Cult Beauty in Europe, and offers direct to consumer sales online. The *canBE Naturally* brand offers three products, including a cleansing gel, moisturizer, and oil. *canBE Naturally* is distributed through U.S. retailers, including CVS stores nationwide, Walmart.com, AskDerm, and natural food retailers.

Prior to March 31, 2021, the Company acquired preferred shares of, entered into a senior secured convertible promissory note with, and received warrants to purchase additional preferred shares of, High Beauty.

As of the date of this MD&A, as a result of previously-recognized impairment charges and cumulative net losses, the carrying value of the Company’s investment in High Beauty preferred shares is $nil.

LeafLink International

LeafLink Services International ULC (“LeafLink International”) is a subsidiary of LeafLink, Inc., a U.S.-based company, that exclusively licenses LeafLink, Inc.’s business-to-business e-commerce marketplace and supply chain technology platform for deployment throughout regulated international cannabis markets outside of the U.S. LeafLink, Inc. is a business-to-business wholesale marketplace that simplifies the supply chain through its e-commerce platform and that has linked approximately 6,200 cannabis retailers across approximately 26 territories in the U.S. with approximately 2,200 vendors, servicing approximately US$4.4 billion of gross merchandise value on an annualized basis. As of the date of this MD&A, LeafLink International’s e-commerce platform is facilitating transactions between approximately 234 cannabis retailers and approximately 59 vendors in Canada, with further provincial expansion underway.

Prior to March 31, 2021, the Company acquired common shares of LeafLink International.

NOYA

NOYA Cannabis Inc. (formerly Radicle Medical Marijuana Inc.), a subsidiary of NOYA Holdings Inc. (formerly Radicle Cannabis Holdings Inc.) (together, “NOYA”), is a white label company licensed to cultivate, process, and sell cannabis and cannabis oils under the Cannabis Act. Based in Hamilton, Ontario, NOYA is located near key transportation infrastructure and currently occupies a 140,000 square foot indoor facility, which is being developed in phases, with 40,000 square feet currently in operation. NOYA’s products are currently available for sale in British Columbia, Ontario, Alberta, Newfoundland, and Saskatchewan.

Prior to March 31, 2021, the Company entered into a repayable debenture agreement, royalty agreement, and convertible debenture agreement with, and acquired common shares and warrants to purchase additional common shares of, NOYA.

ZeaKal

ZeaKal, Inc. (“ZeaKal”), a California-based plant science company, is building a value-driven “NewType” of agriculture to harmonize the needs of farmers, consumers, and the planet. Its flagship plant trait technology, PhotoSeed™, helps crops capture more carbon and sunlight, leading to healthier, nutrient-rich food and feed grown on a smaller environmental footprint. The company goes beyond science to make affordable nutrition more sustainable, with marketable differentiation for growers. ZeaKal is currently developing its PhotoSeed™ technology for hemp.

Prior to March 31, 2021, the Company acquired preferred shares of ZeaKal.

Other

Canapar

Canapar Corp. (“Canapar”), through its wholly-owned subsidiary, Canapar SrL, is focused on hemp cultivation and extraction in Sicily, Italy.

Prior to March 31, 2021, the Company sold its interest in 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 to purchase 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.

Civilized

Civilized Worldwide Inc. (“Civilized”) is a media company and lifestyle brand focused on cannabis culture.

Prior to March 31, 2021, the Company entered into a convertible debenture agreement with, and received warrants to purchase class A common shares of, Civilized.

After experiencing significant financial challenges, Civilized recently recapitalized its business and relaunched its platform. As of the date of this MD&A, the Company is not actively involved with Civilized and does not ascribe any value to the convertible debenture or warrants.

Herbert

10663522 Canada Inc., operating through its wholly-owned subsidiaries Herbert Works Ltd. and 11010131 Canada Inc. (collectively, “Herbert”), is an early-stage beverage brand platform that was established by certain principals of Greenhouse Juice to focus on the adult-use cannabis beverage and herbal supplement beverage markets. The company is licensed to conduct research and development activities under the Cannabis Act, and had intentions for its core beverage offering to focus primarily on THC-infused products designed for distribution in Canada and non-infused herbal products designed for distribution across North America.

Prior to March 31, 2021, the Company acquired preferred shares of Herbert. The Company also received an incremental warrant entitling it to increase its economic interest in Herbert to 51% under certain circumstances (a control warrant).

The commercialization of the company’s products was delayed due to several factors and Herbert is currently re-assessing its business plan. As of the date of this MD&A, the Company is not actively involved with Herbert and does not ascribe any value to the preferred shares or control warrant.

PharmHouse

PharmHouse Inc. (“PharmHouse”), a company formerly licensed to cultivate cannabis under the Cannabis Act, was formed on May 7, 2018, as a joint venture between the Company and the principals and operators of a leading North

American cultivator and distributor of greenhouse-grown vegetables (the “PharmHouse Majority Shareholder”). As of the date of this MD&A, PharmHouse is subject to creditor protection proceedings.

<u>CCAA Proceedings</u>

Prior to March 31, 2021, for a variety of reasons, PharmHouse did not have sufficient liquidity and capital resources to meet its business objectives and became unable to meet its financial obligations as they became due. As a result, PharmHouse obtained on order from the Ontario Superior Court of Justice (Commercial List) (the “Court”) granting PharmHouse creditor protection under the Companies’ Creditors Arrangement Act (“CCAA”) (the “CCAA Proceedings”). Ernst & Young Inc. was appointed by the Court to act as the Monitor of PharmHouse in the CCAA Proceedings while PharmHouse explored a potential restructuring of its business and operations (the “Restructuring”). The Company entered into an agreement to provide PharmHouse with a debtor-in-possession (“DIP”) interim, non-revolving credit facility up to a maximum amount (as amended) to enable the company to continue its day-to-day operations throughout the Restructuring.

During the CCAA Proceedings, PharmHouse received approval from the Court to commence a sale and investor solicitation process (“SISP”), which was intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of PharmHouse’s assets or business. As a result of the SISP, PharmHouse entered into a binding asset purchase agreement (the “PharmHouse Asset Purchase Agreement”) to sell various operating assets, including its greenhouse facility and certain equipment located at the facility.

On May 14, 2021, PharmHouse 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 Court to terminate its creditor protection under the CCAA Proceedings upon the Monitor filing a certificate that all remaining activities in the CCAA Proceedings have been completed, including the payment of any remaining funds to the Company and the filing of an assignment into bankruptcy of PharmHouse.

<u>PharmHouse Guarantee</u>

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”). Accordingly, if PharmHouse was not able to service its obligations pursuant to the PharmHouse Credit Facility, the Company would be required to compensate the Lenders for their loss incurred on the PharmHouse Credit Facility. The PharmHouse Credit Agreement also contained other covenants applicable to the Company.

During the fiscal year ended March 31, 2021, in connection with the Restructuring, the Company performed several assessments to estimate its financial liability exposure pursuant to the PharmHouse Guarantee based on the difference between the recoverable amount of PharmHouse’s assets and the principal amount owed by PharmHouse to the Lenders pursuant to the PharmHouse Credit Facility (the “PharmHouse Recoverability Assessment”), as detailed in the Annual Consolidated Financial Statements and Annual MD&A. Subsequent to the signing of the PharmHouse Asset Purchase Agreement (the terms of which were factored into an updated PharmHouse Recoverability Assessment), the Company made a payment of $25,000 directly to the Lenders (the “First Guarantee Payment”) to partially satisfy its estimated financial guarantee liability.

On May 14, 2021, as noted above, the PharmHouse Sale closed. Concurrently, the Company made a payment of $7,535 to the Lenders (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. The PharmHouse Credit Facility was terminated and cancelled on May 17, 2021; as a result, the Company is entitled to any cash available for distribution upon the termination of the CCAA Proceedings. The Company estimates the quantum of this distribution to be $6,470 and has recognized a financial asset for this amount on its statement of financial position as at June 30, 2021.

Statement of Claim

As at June 30, 2021, the statement of claim received by the Company on February 10, 2021, as disclosed in the Annual Consolidated Financial Statements (the “Revised Claim”) remained outstanding. The Revised Claim was filed by the PharmHouse Majority Shareholder and concerns certain disputes relating to PharmHouse. The Company considers the Revised Claim as it relates to its own actions to be completely without merit and intends to vigorously defend its position at the appropriate time and in the appropriate forum, if necessary. The Company has not recognized any provision relating to the Revised Claim.

Divestments Made During the Three Months Ended June 30, 2021

CGC

Prior to March 31, 2021, pursuant to the CGC Transaction, the Company received common shares of CGC.

During the three months ended June 30, 2021, the Company sold 3,565,402 common shares of CGC for total net proceeds of $106,707. As at June 30, 2021, the Company no longer owned any CGC common shares.

Nova Cannabis

Nova Cannabis Inc. (formerly YSS Corp.™) (“Nova Cannabis”) is a publicly-traded company listed on the TSXV under the trading symbol “NOVC” and on the Frankfurt Stock Exchange under the trading symbol “2LK.BE”. With retail operations under the “Value Buds” and “Nova Cannabis” banners, Nova Cannabis currently operates licensed retail stores in Alberta, Ontario, and Saskatchewan.

Prior to March 31, 2021, the Company acquired common shares of Nova Cannabis.

During the three months ended June 30, 2021, the Company sold 593,000 common shares of Nova Cannabis for total net proceeds of $1,446. As at June 30, 2021, the Company no longer owned any Nova Cannabis common shares.

Tweed Tree Lot

Tweed Tree Lot (formerly Spot Therapeutics Inc.) is a company formerly licensed under the Cannabis Act and wholly-owned subsidiary of CGC based in Fredericton, New Brunswick.

Prior to March 31, 2021, the Company acquired the property in Fredericton, New Brunswick, on which Tweed Tree Lot operated and entered into a lease agreement for the property with Tweed Tree Lot. In addition, the Company entered into a repayable debenture agreement and royalty agreement with Tweed Tree Lot, the latter of which was terminated pursuant to the CGC Transaction.

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). With the sale of the property and corresponding termination of the lease agreement, the Company no longer has any agreements with Tweed Tree Lot.

Summary

Below is a summary of the Company’s investments as at June 30, 2021. Please refer to Note 12 of the Interim Consolidated Financial Statements for information relating to the Company’s fair value estimates for these financial instruments.

Royalty and Debt Investments(1)			
Investee	**Investment**	**Capital Advanced as at Jun. 30, 2021**	**Notes(2)**
Agripharm(3)	Royalty interest	$20,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment based on 20% of the amount advanced
BioLumic	Second convertible promissory note	$668	• Amount drawn under the promissory note bears interest at a rate of 6% per annum, payable at the maturity date or at the date that a qualified financing occurs • Convertible into 117,966 preferred shares of BioLumic (excluding accrued interest)

Royalty and Debt Investments[1]

Investee	Investment	Capital Advanced as at Jun. 30, 2021	Notes[2]
Greenhouse Juice	Secured convertible debenture	$6,000	• Amount drawn under the debenture bears interest at a rate of 12% per annum, payable at the maturity date • Convertible into 3,962,496 preferred shares of Greenhouse Juice (excluding accrued interest)
Headset	Convertible promissory note	$1,080	• Amount drawn under the promissory note bears interest at a rate of 8% per annum, payable at the maturity date or at the date that a qualified financing occurs • Convertible into 455,063 preferred shares of Headset (excluding accrued interest)
High Beauty	Convertible promissory note	$1,009	• Amount drawn under the promissory note bears interest at a rate of 8% per annum, payable at the maturity date or at the date that a qualified financing occurs • Conversion price based on per share valuation of preferred stock upon closing of a qualified financing
NOYA	Royalty interest	$5,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment of $900
	Convertible debenture	$1,000	• Amount drawn under the debenture bears interest at a rate of 12% per annum, payable semi-annually • Convertible into 1,666,667 common shares of NOYA

(1) The information contained in this table excludes certain immaterial debt investments held by the Company as at June 30, 2021, in instances where the Company is not actively involved with the debtor and/or has not ascribed any value to its investment.

(2) Annual payments are based on the contractual terms of the underlying instruments in effect as of the date of this MD&A and may not reflect actual cash amounts received by the Company. See “Risks and Uncertainties” herein.

(3) See “Corporate Developments – Investments – Agripharm” herein for additional details relating to the risks associated with the required annual payment.

Equity and Warrant Investments[1]

Investee	Investment	Cost Base[2]	Number of Shares / Warrants	Notes
BioLumic[3]	Preferred shares	$2,024	381,590	• Represents an approximate 11% equity interest on a fully-diluted basis
Dynaleo	Common shares	$1,613	1,449,569	• Represents an approximate 9% equity interest on a fully-diluted basis
	Warrants	$387	1,000,000	
Greenhouse Juice[3]	Preferred Shares	$4,000	2,905,830	• Represents an approximate 28% equity interest on a fully-diluted basis (excluding control warrant)
	Warrants	Nominal	924,582	• Control warrant to purchase 51% of the fully-diluted shares
Headset[3]	Preferred shares	$4,279	1,572,588	• Represents an approximate 8% equity interest on a fully-diluted basis
Herbert[4]	Preferred shares	$1,406	4,074,074	• Represents an approximate 25% equity interest on a fully-diluted basis (excluding control warrant)
	Warrants	$94	n/a	• Control warrant to purchase 51% of the fully-diluted shares
High Beauty[3][5]	Preferred shares	$2,867	2,500,000	• Represents an approximate 17% equity interest on a fully-diluted basis
	Warrants	$495	612,500	
LeafLink International	Common shares	$2,638	2,000,000	• Represents an approximate 17% equity interest on a fully-diluted basis
NOYA[3]	Common shares	$5,000	17,588,424	• Represents an approximate 24% equity interest on a fully-diluted basis
	Warrants	$40	266,667	
ZeaKal	Preferred shares	$13,487	248,446	• Represents an approximate 9% equity interest on a fully-diluted basis

(1) The information contained in this table excludes certain immaterial equity and/or warrant investments held by the Company as at June 30, 2021, in instances where the Company is not actively involved with the subject company and/or has not ascribed any value to its investment.

(2) Cost base for warrant investments is generally estimated based on an allocation of total committed capital on an individual transaction basis between warrants and another financial instrument (e.g. royalty interest, convertible debenture, common shares, etc.), and is not representative of consideration that the Company separately and specifically paid for such warrants.

Cost base for share investments that resulted from the conversion of previously-held debentures is presented above based on the original cost base of the corresponding debenture.

(3) Equity ownership on a fully-diluted basis assumes the conversion of the convertible security described in the previous table.

(4) See "Corporate Developments – Investments – Herbert" herein for additional details relating to the current estimated value of the Company's investment in Herbert preferred shares and the control warrant.

(5) See "Corporate Developments – Investments – High Beauty" herein for additional details relating to the current estimated value of the Company's investment in High Beauty preferred shares and warrants.

RESULTS OF OPERATIONS

The following table sets forth summary operating results and financial position data for the indicated periods:

	Three months ended June 30,		
	2021	**2020**	**2019**
Summary Operating Results			
Operating income[1]	$ 439	$ 2,662	$ 2,141
Operating expenses	2,510	2,669	5,767
Net operating loss (before equity method investees and fair value changes)	(2,071)	(7)	(3,626)
Equity method investees and fair value changes[2]	(36,532)	2,063	786
PharmHouse-related recovery (charges)[3]	1,935	(4,418)	(242)
Net operating loss	(36,668)	(2,362)	(3,082)
Net loss	(30,421)	(3,426)	(2,966)
Other comprehensive income (loss) (net of tax)	(492)	10,701	(5,784)
Total comprehensive income (loss)	(30,913)	7,275	(8,750)
Basic earnings (loss) per share ("EPS")	$ (0.21)	$ (0.02)	$ (0.02)
Diluted EPS	$ (0.21)	$ (0.02)	$ (0.02)
Summary Cash Flow Results			
Cash used in operating activities	$ (20,247)	$ (807)	$ (2,788)
Cash from (used in) investing activities	104,816	(1,927)	(12,702)
Cash from (used in) financing activities	1	(78)	57
Balance Sheet Data			
Cash	$ 212,452	$ 43,912	$ 88,750
Total assets	283,104	307,950	412,905
Total liabilities	2,112	1,533	9,697
Shareholders' equity	280,992	306,417	403,208

(1) Before consideration of equity method investees and fair value changes.

(2) Excludes the Company's share of loss on its investment in PharmHouse common shares for the periods ended June 30, 2020 and 2019, which is reflected in "PharmHouse-related charges".

(3) Includes the Company's change in provision for expected credit losses on the PharmHouse Guarantee for all periods presented, as well as the Company's share of loss on its investment in PharmHouse common shares and provision for expected credit losses on previously-held loans receivable for the periods ended June 30, 2020 and 2019. Excludes the Company's change in provision for expected credit losses on interest receivable for the periods ended June 30, 2020 and 2019, which is captured in "Operating income (loss)". Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

The Company reported a net loss of $30,421 and basic and diluted EPS of $(0.21) for the three months ended June 30, 2021, compared with a net loss of $3,426 and basic and diluted EPS of $(0.02) for the same period last year. For the three months ended June 30, 2021, net loss was primarily driven by negative net changes in the fair value of financial assets reported at fair value through profit or loss ("FVTPL") of $36,185 and operating expenses of $2,510, partially offset by income tax recovery of $4,894, a recovery in the provision for expected credit losses on the PharmHouse Guarantee of $1,935, and a gain on disposition of the Company's finance lease receivable of $1,103. For the three months ended June 30, 2020, net loss was primarily driven by the Company's share of loss from equity

method investees of $3,985 and operating expenses of $2,669, partially offset by the impact of positive net changes in the fair value of financial assets reported at FVTPL of $1,630, royalty and other interest income on financial assets at FVTPL of $1,295, and income on the Company's shareholder loan receivable of $1,205.

The Company reported a total comprehensive loss of $30,913 for the three months ended June 30, 2021, compared with total comprehensive income of $7,275 for the same period last year. For the three months ended June 30, 2021, comprehensive loss was driven by primarily by the factors impacting net loss described above, as well as negative net changes in the fair value of financial assets reported at fair value through other comprehensive income ("FVTOCI") of $492 (net of tax). In addition to the factors impacting net loss described above, comprehensive income for the three months ended June 30, 2020, was driven by positive net changes in the fair value of financial assets at FVTOCI of $10,701 (net of tax), partially offset by the factors impacting net loss described above.

Operating Income (before Equity Method Investees and Fair Value Changes)

The Company reported operating income (before equity method investees and fair value changes) of $439 (net of a change in provision for expected credit losses of $127) for the three months ended June 30, 2021, compared with operating income (before equity method investees and fair value changes) of $2,662 (net of a change in provision for expected credit losses of $5) for the same period last year.

For the three months ended June 30, 2021, this was primarily comprised of royalty and interest income (before change in provisions for expected credit losses) of $452 generated from the Company's royalty and debenture agreements with Agripharm, Greenhouse Juice, and NOYA; and interest and management fee income of $114 generated from the lease agreement with Tweed Tree Lot prior to disposition; offset by a change in provision for expected credit losses on interest and royalty receivables of $127, which primarily related to the royalty receivable on the NOYA royalty interest. For the three months ended June 30, 2020, this was primarily comprised of royalty and interest income of $1,295 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, NOYA, TerrAscend Canada (as defined in the Annual Consolidated Financial Statements), and Tweed Tree Lot; interest income of $1,205 generated from the shareholder loan agreement with PharmHouse; and interest and management fee income of $167 generated from the lease agreement with Tweed Tree Lot.

Operating Expenses

The Company reported total operating expenses of $2,510 for the three months ended June 30, 2021, compared with $2,669 for the same period last year.

General and administrative expenses were $1,666 for the three months ended June 30, 2021, compared with $1,342 for the same period last year. For the three months ended June 30, 2021, these expenses were primarily attributable to employee compensation of $789, and other general and administrative activities (including marketing, business development, and general public company costs) of the Company of $877. For the three months ended June 30, 2020, these expenses were primarily attributable to employee compensation of $921, and other general and administrative activities of the Company of $421.

Consulting and professional fees were $394 for the three months ended June 30, 2021, compared with $376 for the same period last year. For the three months ended June 30, 2021, these expenses were primarily attributable to legal fees of $124 related mainly to litigation and general corporate and securities matters; and audit, tax, accounting, and other regulatory compliance advisory fees of $270. For the three months ended June 30, 2020, these expenses were primarily attributable to legal fees of $169; and audit, tax, accounting, and other regulatory compliance advisory fees of $207.

Share-based compensation was $400 for the three months ended June 30, 2021, compared with $909 for the same period last year. For the three months ended June 30, 2021, share-based compensation attributable to options issued to directors, officers, and employees was $252; share-based compensation attributable to PSUs (as defined herein) was $67; share-based compensation attributable to RSUs (as defined herein) granted to non-employee directors was $60; and share-based compensation attributable to options issued to consultants was $21. For the three months ended June 30, 2020, share-based compensation attributable to options issued to directors, officers, and employees was $824; share-based compensation attributable to RSUs granted to non-employee directors was $117; share-based compensation attributable to seed capital options was $59; and share-based compensation attributable to options issued to consultants was a recapture of $91.

Net Operating Loss (before Equity Method Investees and Fair Value Changes)

Based on the foregoing, the Company reported a net operating loss (before equity method investees and fair value changes) of $2,071 for the three months ended June 30, 2021, compared with a net operating loss (before equity method investees and fair value changes) of $7 for the same period last year.

Equity Method Investees and Fair Value Changes

Share of loss from equity method investees was $347 for the three months ended June 30, 2021, compared with a share of loss of $3,985 for the same period last year. As noted in the Interim Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. Greenhouse Juice, LeafLink International, and NOYA represented the Company's equity method investees for which a share of income or loss was recognized for the three months ended June 30, 2021. Canapar, Herbert, High Beauty, Leaflink International, PharmHouse, and NOYA represented the Company's equity method investees for which a share of loss was recognized for the three months ended June 30, 2020. Due to the early-stage nature of the equity method investees' businesses, the Company expects these entities to continue to generate net losses in the near term. Please refer to Note 6 in the Interim Consolidated Financial Statements for additional information on the operating results and financial position of the Company's equity method investees.

The net change in fair value of financial assets at FVTPL was a decrease of $36,185 for the three months ended June 30, 2021, compared with an increase of $1,630 for the same period last year. For the three months ended June 30, 2021, the net decrease was primarily driven by the negative change in the fair value of the Company's investment in the CGC common shares of $37,085 (which was realized upon the Company's disposition of the CGC common shares during the period), among other factors. For the three months ended June 30, 2020, the net increase was primarily driven by the positive change in the fair value of the Company's investments in the TerrAscend Canada Term Loan (as defined in the Annual Consolidated Financial Statements) of $1,200, Vert Mirabel (as defined in the Annual Consolidated Financial Statements) preferred shares of $800, and Dynaleo convertible debenture of $387, partially offset by the negative change in the fair value of the Company's investment in the Civilized convertible debenture of $1,100, among other factors. Please refer to Notes 7 and 12 in the Interim Consolidated Financial Statements for additional information on the Company's financial assets at FVTPL and their corresponding valuation methodologies and key inputs and assumptions.

The change in provision for expected credit losses on the PharmHouse Guarantee was a recovery of $1,935 for the three months ended June 30, 2021, compared with no change in provision for the same period last year. The recovery was determined based on the Company's estimate of the expected distribution to be received upon termination of the CCAA Proceedings. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

Net Operating Loss

Based on the foregoing, the Company reported a net operating loss of $36,668 for the three months ended June 30, 2021, compared with $2,362 for the same period last year.

Comprehensive Income (Loss)

The Company reported a total comprehensive loss of $30,913 for the three months ended June 30, 2021, compared with total comprehensive income of $7,275 for the same period last year.

Net loss was $30,421 for the three months ended June 30, 2021, compared with a net loss of $3,426 for the same period last year. Included in net loss for the three months ended June 30, 2021, is a gain on the disposition of the Tweed Tree Lot finance lease receivable of $1,103. Please refer to Note 5 in the Interim Consolidated Financial Statements for additional information on the disposition of the Company's finance lease receivable.

Included in net loss is income tax recovery of $4,894 and $nil for the three months ended June 30, 2021 and 2020, respectively. Income tax recovery of $4,894 for the three months ended June 30, 2021, is comprised of $6,792 of current income tax recovery, driven primarily by the realized capital losses on the disposition of the CGC common shares during the period (which the Company expects to carry-back to previous taxation years to recover income taxes paid), partially offset by deferred income tax expense of $1,898 arising from the change in net deferred tax assets during the period.

The net change in fair value of financial assets at FVTOCI was a decrease of $492 (net of tax recovery of $75) for the three months ended June 30, 2021, compared with an increase of $10,701 (net of tax recovery of $nil) for the same

period last year. For the three months ended June 30, 2021, the net decrease was primarily driven by the negative change in the fair value of the Company's investment in the Nova Cannabis common shares of $267 (which was realized upon the Company's disposition of the Nova Cannabis common shares during the period), among other factors. For the three months ended June 30, 2020, the net increase was primarily driven by the positive change in the fair value of the Company's investments in the Vert Mirabel common shares of $9,500 and exchangeable shares in the capital of TerrAscend Corp. of $3,000, partially offset by the negative change in the fair value of the Company's investments in JWC (as defined in the Annual Consolidated Financial Statements) common shares of $976, among other factors. Please refer to Notes 8 and 12 in the Interim Consolidated Financial Statements for additional information on the Company's financial assets at FVTOCI and their corresponding valuation methodologies and key inputs and assumptions.

Cash Flows Used in Operating Activities

Net cash used in operating activities was $20,247 for the three months ended June 30, 2021, compared with net cash used of $807 for the same period last year. For the three months ended June 30, 2021, net cash used in operating activities was primarily driven by the settlement of the Company's outstanding taxes payable of $17,640 (primarily related to the CGC Transaction). Excluding this payment, net cash used in operating activities was $2,607 for the period. Net loss for the three months ended June 30, 2021 and 2020 was $30,421 and $3,426, respectively, and included numerous non-cash items, which are reflected in the Company's condensed interim consolidated statement of cash flows in the Interim Consolidated Financial Statements.

Cash Flows Provided by (Used in) Investing Activities

Net cash provided by investing activities was $104,816 for the three months ended June 30, 2021, compared with net cash used in investing activities of $1,927 for the same period last year. During the three months ended June 30, 2021, the Company disposed its common share investments in CGC and Nova Cannabis for total proceeds of $106,815 and $1,451, respectively. Included in cash flows provided by investing activities is an outflow related to the Second Guarantee Payment of $7,535, as well as an inflow of $3,990 related to the disposition of the Company's finance lease receivable. During the three months ended June 30, 2020, the Company made a new investment in Dynaleo for $2,000.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $1 for the three months ended June 30, 2021, compared with net cash used in financing activities of $78 for the same period last year. During the three months ended June 30, 2021, net cash provided by financing activities was primarily attributable to the proceeds from the exercise of outstanding stock options of $45, largely offset by the payment of lease principal of $44. During the three months ended June 30, 2020, net cash used in financing activities was primarily attributable to the repurchase of shares pursuant to the Company's normal course issuer bid for $126 and the payment of lease principal of $44, partially offset by the proceeds from the exercise of outstanding stock options of $92.

Summary of Quarterly Financial Information

The following table sets forth a summary of quarterly financial information for the last eight consecutive quarters. This quarterly financial information has been prepared in accordance with IFRS.

	FQ1 2022	FQ4 2021	FQ3 2021	FQ2 2021	FQ1 2021	FQ4 2020	FQ3 2020	FQ2 2020
Summary Operating Results[1]								
Operating income (loss)[2]	$ 439	$ 748	$ 3,003	$ (5,795)	$ 2,662	$ 2,589	$ 5,021	$ 2,171
Operating expenses	2,510	7,890	3,390	1,555	2,669	3,484	3,860	6,192
Equity method investees and fair value changes[3]	(36,532)	(19,857)	4,524	(3,604)	(2,355)	(30,671)	(3,208)	(1,241)
PharmHouse-related items[4]	1,935	2,800	(13,700)	(103,363)	-	-	-	-
Net operating loss	(36,668)	(24,199)	(9,563)	(114,317)	(2,362)	(31,566)	(2,047)	(5,262)
Net income (loss)	(30,421)	(21,478)	1,406	(110,381)	(3,426)	(30,515)	(2,679)	(4,406)
Other comprehensive income (loss) (net of tax)	(492)	86,324	80,759	23,417	10,701	(6,280)	(37,244)	(28,252)
Total comprehensive income (loss)	(30,913)	64,846	82,165	(86,964)	7,275	(36,795)	(39,923)	(32,658)
Basic EPS	$ (0.21)	$ (0.13)	$ 0.01	$ (0.58)	$ (0.02)	$ (0.16)	$ (0.01)	$ (0.02)
Diluted EPS	$ (0.21)	$ (0.13)	$ 0.01	$ (0.58)	$ (0.02)	$ (0.16)	$ (0.01)	$ (0.02)

(1) Comparative information has been amended to align with current year presentation.
(2) Before consideration of equity method investees and fair value changes.
(3) Excludes the Company's share of loss on its investment in PharmHouse common shares, which is reflected in "PharmHouse-related charges".
(4) Includes the Company's share of loss on its investment in PharmHouse common shares, provision for expected credit losses on loans receivable, and provision for expected credit losses on the PharmHouse Guarantee. Excludes the Company's provision for expected credit losses on interest receivable, which is captured in "Operating income (loss)". Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

OTHER INFORMATION

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

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

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

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

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

The Company has financed its operations, investment portfolio, and current liquidity position primarily through proceeds raised from prior equity financings and the consideration received pursuant to the CGC Transaction, including the

subsequent sale of the CGC common shares received as consideration. As at June 30, 2021, working capital (calculated as the difference between the Company's current assets and current liabilities on its consolidated statement of financial position) was approximately $221,361, primarily attributable to the Company's cash balance of $212,452. Following closing of the Hawthorne Investment, the Company anticipates that its cash balance will increase significantly. Please refer to the "Subsequent Events" section herein for more information on the Hawthorne Investment.

The Company anticipates that it has sufficient liquidity and capital resources to finance working capital for at least the next twelve months. Furthermore, if required, the Company believes that it may be able to further strengthen its financial position with future equity or debt financings, the divestment of certain investments, or other liquidity events. The Company believes that it currently has enough cash available to achieve its current business plans and objectives.

The Company may face certain liquidity risks if it is unable to generate sufficient cash to fund its ongoing requirements and obligations, and is unable to raise funds through equity or debt to account for its commitments. Ongoing capital markets, global economic, and general cannabis industry conditions, including as a result of the COVID-19 pandemic, may impact the ability of the Company to obtain equity, debt, or other suitable financing on favourable terms or at all. It may also impact the ability of the Investees to meet their commitments to the Company, including royalty payments, interest payments, and other debt obligations, which may negatively impact the Company's cash flow, and the value and liquidity of the Company's investments. Furthermore, given the constraints on transaction activity, impact on valuations, and general business challenges caused by the COVID-19 pandemic, the Company may not be able to realize successful monetization events involving its economic interests in the Investees. There can be no assurance that the Company will be able to generate sufficient positive net cash flow to achieve its business plans and objectives.

The Company's principal capital needs relate to the following business plans and objectives: investing in new global cannabis opportunities, including investments in, or acquisitions of, established operating businesses in the U.S. cannabis market; financing commitments to, and potentially making follow-on investments in, existing Investees; and satisfying working capital, as well as for general corporate purposes.

As at June 30, 2021, the Company's contractual commitments to its Investees were as follows:

Investee	Committed Funds	Timing
Greenhouse Juice	$1,000 (1)	Q2 2022

(1) The Company had committed to purchase up to $1,000 of preferred shares of Greenhouse Juice at a price of $1.08 per share in the event that Greenhouse Juice attained $12,000 of revenue in any preceding twelve-month period. Please refer to "Subsequent Events" for additional information.

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

As at June 30, 2021, the Company had the following obligations:

	Payments Due by Period				
Financial Obligations	**Total**	**< 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**>5 Years**
Accounts payable and accrued liabilities	$ 1,731	$ 1,731	$ -	$ -	$ -
Lease liability	808	346	462	-	-
Contractual commitments to an Investee	1,000	1,000	-	-	-
Total financial obligations	**$ 3,539**	**$ 3,077**	**$ 462**	**$ -**	**$ -**

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

Discussion of Market Risk and Credit Risk

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

Market risk

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

General market risk

The Company holds financial assets in the form of investments in shares, warrants, and other convertible securities that are measured at fair value and recorded through either net income (or loss) or other comprehensive income (or loss). The Company is exposed to price risk on these financial assets, which is the risk of variability in fair value due to movements in equity or market prices. Information regarding the fair value of financial instruments that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value, are presented in Note 12 of the Interim Consolidated Financial Statements.

Foreign currency risk

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

Interest rate risk

Interest rate risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in interest rates. The Company's exposure to interest rate risk only relates to funding arrangements whereby the Company commits to invest funds in the form of convertible or repayable debentures with variable interest rates, if any. The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing.

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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk arises from the Company's interest and royalty receivables, as well as the principal amounts owing to the Company under the terms of any loan, debenture, or promissory note.

Under *IFRS 9, Financial Instruments* ("IFRS 9"), the Company is required to apply an expected credit loss ("ECL") model to all financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the statement of financial position date. The Company recognizes a loss allowance for ECLs on its interest receivables, royalty receivables, and other receivables. 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 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 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. The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portions of lifetime ECLs that are expected to result from default events that are possible within 12 months after the reporting date.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2021, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel: The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board. Together, these individuals, controlled approximately 3.2% of the issued and outstanding Common Shares on a fully diluted basis as of June 30, 2021. Compensation provided to key management personnel includes executive salaries and accrued bonuses, director fees (excluding special committee fees and share-based compensation), special committee fees, and share-based compensation. For the three months ended June 30, 2021 and 2020, executive salaries and accrued bonuses were $369 and $298, respectively; director fees (excluding special committee fees and share-based compensation) were $57 and $41, respectively; special committee fees were $150 and $nil, respectively; and share-based compensation was $283 and $624, respectively.

Transactions with other related parties: Transactions and balances with the Company's associates and joint venture are described and discussed in the Interim Consolidated Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Consolidated 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 estimate within that range. The Company uses 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 evidence from external transactions in the Investee's equity, significant changes in performance compared to plans or comparable entities, or changes in the market or economy.

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

Please refer to Note 12 in the Interim Consolidated Financial Statements for more information on the fair value measurement and valuation process.

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 an associate or joint venture (equity-accounted investees) comprises two successive steps, as follows:

1. Apply the equity method to recognize the Company's share of any impairment losses for the investee's identifiable assets; and
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 valuation multiples for comparable operating companies for which public information is available, adjusted book values of the Investee's assets and liabilities based on estimates of recoverability, 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 market-based rates of return and the risk associated with achieving the cash flow projections. Please refer to Note 6 in the Interim Consolidated Financial Statements for more information on the Company's impairment analysis regarding its investment in associates and joint ventures.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the options, the risk-free interest rate, and the expected annualized volatility of the Company's share price are used. Please refer to Note 9 in the Interim Consolidated Financial Statements for more information on the Company's measurement of share-based payments.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparing the Interim Consolidated Financial Statements are unchanged from those disclosed in the Annual Consolidated Financial Statements and have been applied consistently to all periods presented in the Interim Consolidated Financial Statements.

The following new interpretations and amendments have been issued and are applicable for annual periods beginning on or after April 1, 2021. 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 Interim 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.

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.

There are no other new standards, amendments, or interpretations that are not yet effective that would be expected to have a material impact on the Company.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 – *Certificate of Disclosure in Issuers' Annual and Interim Filings,* management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with other members of management, evaluated the design of the Company's DC&P as at June 30, 2021. Based on that evaluation, the CEO and the CFO concluded that the design of these DC&P were effective as at June 30, 2021, to provide reasonable assurance that the information required to be disclosed in the Company's interim filings, or other reports filed or submitted by it under securities legislation, is recorded, processed, summarized, and reported in accordance with securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's ICFR is designed to provide reasonable assurance that all relevant information is communicated to management to allow timely decisions regarding required disclosure. The CEO and CFO, together with other members of management, evaluated the design of the Company's ICFR as at June 30, 2021. Based on that evaluation, the CEO and CFO concluded that the design of ICFR was effective as at June 30, 2021, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Interim Consolidated Financial Statements for external purposes in accordance with IFRS. In designing and implementing such controls, it should be recognized that any system of ICFR, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and may not prevent or detect all misstatements due to error or fraud.

Control Framework

Management has used the *Internal Control – Integrated Framework* (COSO 2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess the effectiveness of the Company's ICFR.

Changes in Internal Control

There have been no changes in the Company's ICFR reporting during the three months ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of Common Shares. As at June 30, 2021, and August 13, 2021, the Company had the following securities issued and outstanding:

	As at June 30, 2021	**As at August 13, 2021**
Common Shares	142,435,137	142,435,137
Stock Options	8,623,001	8,623,001
RSUs	353,030	353,030
PSUs	919,996	919,996

Stock options outstanding as at June 30, 2021, are comprised of the following (as described in Note 9(c) in the Interim Consolidated Financial Statements):

- 33,334 seed capital options issued to an employee of CGC, which have been paid for by CGC on behalf of the employee;
- 4,560,000 options issued primarily to consultants of the Company, with exercise prices ranging between $0.60 and $3.50; and
- 4,029,667 options issued to employees and directors of the Company, with exercise prices ranging between $1.10 and $4.50.

Restricted Stock Units ("RSUs") outstanding as at June 30, 2021, are redeemable pursuant to the Company's share unit plan for non-employee directors as described in Note 9(d) in the Interim Consolidated Financial Statements.

Performance Share Units (“PSUs”) outstanding as at June 30, 2021, are redeemable pursuant to the Company’s long-term incentive plan (“LTIP”) for employees of the Company as described in Note 9(e) in the Interim Consolidated Financial Statements. The number of granted PSUs eligible to vest may be adjusted upwards based on the increase, if any, in the Common Share price between the grant date and the vesting date, subject to a maximum adjustment of 100%.

SUBSEQUENT EVENTS

Developments since June 30, 2021

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

On August 10, 2021, the Company announced that it entered into a definitive agreement with The Hawthorne Collective, a newly-formed cannabis-focused subsidiary of ScottsMiracle-Gro, for the purchase by The Hawthorne Collective of a U.S. $150,000 unsecured convertible note from RIV Capital. The Hawthorne Investment establishes 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). RIV Capital's strategy remains the same as its previously disclosed plans to acquire, invest in, launch, and/or develop U.S. assets to build a multistate cannabis operating and brand platform.

The convertible note evidencing the Hawthorne Investment (the "Convertible Note") will have a six-year term and bear interest at approximately 2.0% per annum for the first two years that the Convertible Note is outstanding, and be non-interest-bearing thereafter. Accrued interest will be payable at maturity or included in the conversion value of the Convertible Note at the time of conversion. The Convertible Note will be convertible into Common Shares at a conversion price of $1.90 per Common Share, representing an approximate 7.3% premium to the five-day volume-weighted average price of the Company's shares on the TSX as of August 9, 2021.

Conversion of the Convertible Note 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 the Convertible Note. Subject to obtaining all applicable regulatory approvals, the Convertible Note 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) two years follow closing; and (ii) the date on which federal laws in the United States are amended to allow for the general cultivation, distribution, and possession of cannabis. There are certain restrictions relating to the permissible uses of the proceeds from the Hawthorne Investment as it relates to the Company’s strategy of investing in, or acquiring, cannabis-related operating businesses in the U.S.

Closing of the Hawthorne Investment is subject to the satisfaction of customary closing conditions and execution of definitive documentation. The completion of the Hawthorne Investment is also conditional on the Company's ability to delist its Common Shares from the TSX and list its Common Shares on the CSE. The Company has submitted an application to voluntarily delist its Common Shares from the TSX and has received conditional approval to list on the CSE, which it intends to complete prior to the closing of the Hawthorne Investment.

The Hawthorne Investment is anticipated to close on or around August 24, 2021. Upon closing, RIV Capital will expand the Board to seven seats, and add three ScottsMiracle-Gro nominees alongside the existing RIV Capital directors.

RISKS AND UNCERTAINTIES

There are several risk factors that could cause the Company’s actual results, performance, and achievements to differ materially from those described herein. If any of these risks occur, the Company’s business may be harmed, and its financial condition and results of operations may suffer significantly. Such risk factors include, but are not limited to, the following risk factors, as well as those listed under the heading “Risk Factors” in the Company’s AIF, which has been filed under the Company’s profile on SEDAR at www.sedar.com. For a more extensive discussion on risks and uncertainties, please refer to the AIF.

Credit and Liquidity Risk

The Company is exposed to counterparty risks and liquidity risks including, but not limited to: (i) through Investees that experience financial, operational, or other difficulties, including insolvency, which could limit or suspend those Investees' ability to perform their obligations under agreements with the Company, cause the lenders of the Investees to enforce the Company's guarantee of such Investees' debt obligations, if any, or result in the impairment or inability to recover the Company's investment in an Investee; (ii) through financial institutions that may hold the Company's cash and cash equivalents; (iii) through companies that have payables to the Company; (iv) through the Company's insurance providers; (v) through the Company's lenders, if any; and (vi) through the Company's guarantee of debt obligations pursuant to the PharmHouse Credit Facility. The Company may also be exposed to liquidity risks in meeting its operating expenditure requirements and complying with affirmative covenants it has provided in certain agreements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the price of the Common Shares could be adversely affected.

In the event that an Investee were to experience financial, operational, or other difficulties, then that Investee may: (i) be unable to deliver some or all of the payments due to the Company; (ii) otherwise default on its obligations to the Company; (iii) cease operations at one or more facilities; or (iv) become insolvent. These and any other adverse financial or operational impacts on an Investee may also have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, there is no assurance that the Company will be successful in enforcing its rights under any security or guarantees provided to the Company.

Litigation

The Company and the Investees may from time to time be involved in various claims, legal proceedings, and disputes arising in the ordinary course of business, including class action litigation. If the Company or an Investee is unable to resolve these disputes favourably, it may have a material adverse effect on the Company and/or the Investee. Even if the Company and/or the Investee successfully defends against a purported class action and/or is involved in litigation and wins, litigation can redirect significant resources and/or divert management's attention, and the legal fees and costs incurred in connection with such activities may be significant. Additionally, the Company and/or the Investee may be subject to judgements or enter into settlements of claims for significant monetary damages. Litigation may also create a negative perception of the Company and/or the Investee. Any decision resulting from any such litigation that is adverse to the Company or an Investee could have a negative impact on the Company's business, financial results, and operations.

Cannabis is a Controlled Substance in the U.S.

As the Company is considering potential investments in, or acquisitions of, operating businesses in the U.S. cannabis market, the Company may be directly or indirectly associated with the cultivation, processing, or distribution of cannabis in the U.S. Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale, and possession of cannabis under the Cannabis Act, in the U.S., cannabis is regulated differently at the federal and state level. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis continues to be categorized as a Schedule I controlled substance under the CSA, making it illegal under federal law in the U.S. to cultivate, distribute, or possess cannabis. This means that while state law in certain U.S. states may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens of those states for activity that is legal under state law.

Unless and until the U.S. Congress amends the CSA with respect to cannabis (and there can be no assurances as to the timing or scope of any such potential amendments), there is a risk that federal authorities may enforce current U.S. federal law, including in respect of the cultivation, distribution, sale, and possession of cannabis. While state law in certain U.S. states may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against individuals and companies operating in those states for activity that is legal under state law. If the Department of Justice opted to pursue a policy of aggressively enforcing U.S. federal law against financiers or equity owners of cannabis-related businesses, then the Company and its Investees could face: (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers, and/or investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Under such an aggressive enforcement policy, the Department of Justice could allege that the Company and the Board and, potentially the Company's shareholders, "aided and abetted" violations of federal law by providing finances and

services to the Company or certain of its investees. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company or its investees, and to recover “the illicit profits” previously distributed to the Company or, if the Company has paid dividends, the shareholders who received such dividends, resulting from any of the foregoing financing or services. In these circumstances, the Company’s shareholders may lose their entire investment and directors, officers, and/or the Company’s shareholders may be required to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Operating or investing in the U.S. cannabis industry may breach existing contractual covenants the Company has with any banking institutions, suppliers, or other third parties. In such circumstances, the Company would be required to amend the terms of or replace such agreements and enter into alternative arrangements. Any violation of the terms of such contractual covenants and the failure to enter into appropriate alternative arrangements would result in a breach of the applicable agreement, and accordingly, may have a material adverse effect on the business, operations, and financial condition of the Company.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Accordingly, the Company may have limited or no access to banking or other financial services. The inability, or limitation on the ability, to open or maintain bank accounts in the U.S. , obtain other banking services, and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned in the U.S..

As a result of the Company’s strategy targeting opportunities in the U.S. cannabis market, parties outside of the cannabis industry with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company’s cannabis-related business activities. For example, the Company could receive a notification from a financial institution or professional services firm advising it that they would no longer maintain a relationship with the Company. Accordingly, the Company may in the future have difficulty establishing certain business relationships that it needs to operate its business. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Potential Delisting from TSX

As the Company remains listed on the TSX, the Company is prohibited from investing in, or acquiring, operating businesses in the U.S. cannabis market until a change in U.S. federal law occurs or the Company de-lists from the TSX and lists on an alternative exchange that does not prohibit investments in U.S. cannabis businesses. While the Company is de-listing from the TSX and intends to list on the CSE, there is no assurance that the Company can satisfy the conditions required to de-list from the TSX or list on the CSE, or when such de-listing or listing will ultimately occur. Unless the Company can successfully de-list from the TSX and list on an alternative stock exchange, it will be hindered in pursuing U.S. investment or acquisition opportunities.

Completion Risk Related to the Hawthorne Investment

As discussed above, closing of the Hawthorne Investment is subject to the satisfaction of customary closing conditions, some of which are outside the control of the Company. Although the Company has entered into a definitive agreement in respect of the Hawthorne Investment, there is no assurance that all of the conditions to the Hawthorne Investment will be satisfied or waived in order for closing of the Hawthorne Investment to occur. If these conditions are not satisfied or waived, or the Hawthorne Investment is not otherwise completed, the Company’s ability to progress its U.S. strategy may be materially adversely affected.

Restrictions on Use of Proceeds from the Hawthorne Investment

The Company intends to use the proceeds of the Hawthorne Investment for general corporate purposes and other permissible uses. However, the terms of the Convertible Note, once issued on closing, provide that the proceeds from the Hawthorne Investment cannot be used to engage in any activities that are illegal in any jurisdiction in which the Company is domiciled or qualified to do business (including investing directly in cannabis or cannabis-related operations in the U.S.). Although the Company anticipates that there are a number of permissible uses for these funds, if the Company is unable to deploy its capital to launch and develop its U.S. platform, there is a risk that the Company will not be able to fully execute its go-forward strategy.

Covenants under the Hawthorne Investment

While the Convertible Note is outstanding, the Company will be subject to certain covenants that restrict, among other things, the ability of the Company to: (i) make amendments to its constating documents, (ii) increase or decrease the size of the Board, (iii) incur indebtedness in excess of $100,000, (iv) create, issue, transfer, or distribute securities to any person or entity that would result in The Hawthorne Collective owning less than twenty percent (20.0%) of the Common Shares (on an as exchanged basis), (v) change its domicile or place of incorporation, (vi) change its stock exchange listing to an exchange other than the CSE or voluntarily delist its securities entirely, or (vii) make any fundamental changes, such as merging into or amalgamating or consolidating with any other person or permitting any such transaction, in each case without the consent of The Hawthorne Collective (not to be unreasonably withheld, conditioned, or delayed) and subject to certain exceptions contained in the documentation governing the Hawthorne Investment.

A failure to comply with the obligations related to the Hawthorne Investment could result in an event of default which, if not cured or waived, may result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Company will generate cash flows in amounts sufficient to pay such indebtedness or to fund any other liquidity needs.

Risks Associated with the Strategic Collaboration with The Hawthorne Collective

In connection with the Hawthorne Investment, the Company will enter into an investor rights agreement (the "Investor Rights Agreement") with The Hawthorne Collective providing for, among other things, customary registration rights and participation rights, certain standstill and transfer restrictions, and the right for The Hawthorne Collective to nominate up to three directors on an expanded seven-person Board.

The Investor Rights Agreement also provides that The Hawthorne Collective, on its own behalf and on behalf of its affiliates (including ScottsMiracle-Gro and The Hawthorne Gardening Company), is to present certain business opportunities in the cannabis sector to the Company and to pursue such opportunities with the Company in accordance with the terms of the Investor Rights Agreement. If, however, the Company rejects any business opportunities presented to it by The Hawthorne Collective or its affiliates, The Hawthorne Collective and its affiliates may pursue such opportunities independent of the Company, subject to the restrictions contained in the Investor Rights Agreement. Where such rejected opportunities involve a cannabis or cannabis-related business that is competitive with or similar to the business of the Company, the Company's ongoing relationship with The Hawthorne Collective may be adversely affected.

The Hawthorne Collective may Exercise Significant Influence

The Convertible Note will bear interest on the principal amount at a rate of approximately 2.0% for the first two years that the Convertible Note is outstanding, following which no interest (0%) will accrue on the Convertible Note for the remainder of the term. If the Convertible Note is converted into Common Shares after two years, The Hawthorne Collective would be entitled to receive approximately 103.1 million Common Shares, representing approximately 42.0% of the Company's outstanding shares on a partially diluted basis based on the basic shares outstanding as of August 10, 2021. Additionally, The Hawthorne Collective has a "top-up" option to purchase additional promissory notes to increase its pro-rata ownership of the Company on a partially-diluted basis, to a maximum of 49.0% of the Company's outstanding Common Shares, on substantially the same terms as the Convertible Note and at a conversion price equal to the greater of: (i) the market price of the Common Shares at the close of trading on the day immediately prior to The Hawthorne Collective providing notice of its election, and (ii) the lowest conversion price permitted by the rules of the CSE or such other principal stock exchange on which such Common Shares are listed without the requirement for the Company to obtain security holder approval.

As of today, The Hawthorne Collective would be the Company's single largest shareholder upon conversion of the Convertible Note, and would be considered a "control person" of the Company (within the meaning of applicable Canadian securities laws). Subject to certain protections contained in the Investor Rights Agreement, The Hawthorne Collective would have the ability to substantially influence matters affecting shareholders or requiring shareholder approval, including the election of directors, amendments to the articles and bylaws of the Company, and the determination of significant corporate actions.

In addition, pursuant to the Investor Rights Agreement, The Hawthorne Collective has certain nomination rights, including the right to nominate up to three directors on an expanded seven-person Board so long as The Hawthorne Collective and its affiliates beneficially own at least 33% of the outstanding Common Shares (on an as exchanged

basis). If the beneficial ownership (on an as exchanged basis) of The Hawthorne Collective and its affiliates drops: (i) below 33% (but not less than 20%), or (ii) below 20% (but The Hawthorne Collective and its affiliates continue to beneficially own at least 60% of either the original principal amount of the Convertible Note or the Common Shares into which the original principal amount of the Convertible Note was convertible), the number of nominees The Hawthorne Collective is entitled to nominate will be reduced to two and one, respectively.

There can be no assurance that the interests of The Hawthorne Collective or its affiliates will align with the Company's interests or the interests of other shareholders. In addition, such influence could limit the price that an acquirer might be willing to pay in the future for the Company, which may have the effect of delaying or preventing a change of control of the Company, such as a merger or take-over. The Hawthorne Collective's significant interest in the Company may also impact the liquidity of the Common Shares. The Common Shares may be less liquid and trade at a discount relative to the trading that could occur in circumstances where The Hawthorne Collective did not have the ability to significantly influence or determine matters affecting the Company.

Risks Associated with the Conversion of the Convertible Note

Subject to obtaining all applicable regulatory approvals, the Convertible Note may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion upon the later of: (i) two years following closing 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. The conversion of the Convertible Note is subject to a number of conditions precedent, some of which are outside of the control of the Company, including receipt of any required regulatory approvals (including under the Competition Act (Canada) and/or the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976), stock exchange approvals, and other conditions set out in the terms of the Convertible Note.

There can be no certainty, nor can the Company provide any assurance, that the conditions precedent to allow the Company to force the conversion of the Convertible Note will be satisfied, or that all conditions precedent to the conversion of the Convertible Note itself will be satisfied or waived, nor can there be any certainty of the timing thereof. In the event that the Convertible Note is not converted on or prior to its maturity date, the Company will be required to repay all indebtedness owing under the Convertible Note, including all principal and interest thereon. There can be no assurance that the Company will be able to refinance such indebtedness or that additional financing on commercially reasonable terms will be obtained, if at all. In the event that the Convertible Note cannot be refinanced, or if it cannot be refinanced except on terms that are less favourable than the current terms, the Company's ability to carry on business could be materially adversely affected, which could negatively impact the market price of the Common Shares.

Risks Associated with Material Contracts

The business of the Company may be significantly impacted if its material contracts, including those listed under "Material Contracts" in the AIF, are subject to change or termination. In addition, certain Investees may be significantly impacted if certain material contracts are not obtained or if existing material contracts, including offtake agreements or other agreements with suppliers, customers, retailers, and/or lenders, are subject to change or termination. In addition, in the event that a counterparty breaches the terms of a material contract, the Company and/or the Investees may be unable to enforce such agreement, and if the Company and/or the Investees do take steps to enforce the agreement, it may be time-consuming and costly. The failure to obtain, maintain, or enforce certain material contracts could have a material adverse effect on the business, operating results, and financial condition of the Company and the Investees, and such risks may be increased as a result of ongoing capital markets, global economic conditions, and general cannabis industry conditions, including as a result of the COVID-19 pandemic.

Certain contracts of Investees may involve cannabis or cannabis-related businesses and other activities that are not legal under U.S. federal law. In some jurisdictions, such Investees may face difficulties in enforcing their contracts in U.S. federal and certain state courts.

Additional Financing Risk

The continued growth and development of the Company, including through follow-on investments in the Investees to support their business objectives, may require additional financing. The failure by the Company to raise such capital could result in the delay or indefinite postponement of the Company or the Investees' current business plans, the decrease in value of an Investee to the Company, or the Company or the Investee going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be

financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Debt financing often includes restrictive covenants on the operations of the borrower. Any debt financing obtained in the future could involve restrictive covenants more onerous than those agreed to in connection with the Hawthorne Investment, relating to financial and operational matters, which may adversely impact the Company's business model, financial situation, and other financial and operational matters. The Company may require additional financing to fund its operations to the point where it is generating positive net cash flows. Negative net cash flow may restrict the Company's ability to pursue its business objectives.

Access to Capital for the Investees

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

Cannabis Prices

The price of the Common Shares and the Company's financial results may be significantly and adversely affected by a decline in the price of cannabis. There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the business, financial condition, and results of operations of the Investees and the Company.

Certain Investees may be party to agreements that reference the price of cannabis and the profitability of the Company's interests under agreements with certain Investees is directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as its operating income will be derived in part from royalty payments. In addition, the value of the Company's investments in the Investees may be affected as a result of changes in the prevailing market price of cannabis, which may have a material adverse effect on the ability of the Investees to generate positive net cash flow or earnings.

Infectious Diseases, Including the COVID-19 Pandemic

The Company and the Investees may be adversely affected by a significant outbreak or the threat of outbreaks of viruses or other infectious diseases or similar health threats, including the outbreak of COVID-19, which has been declared a pandemic by the World Health Organization and continues to spread in Canada, the U.S., Europe, and globally, including in multiple jurisdictions where the Company and the Investees have operations. The COVID-19 pandemic has caused companies and various international jurisdictions to impose restrictive measures such as quarantines, business closures, and travel restrictions.

The Company has successfully adopted a work-from-home program which has allowed it to remain fully operational and announced a series of operational changes designed to optimize its organizational structure, streamline operations, and preserve and maximize cash-on-hand. However, the situation is continuing to evolve and it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Company and the Investees due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, containment and treatment of COVID-19, and the length of the travel restrictions, business closures, and other restrictions that have been or may be imposed by government authorities.

The impact of the COVID-19 pandemic has, and will likely continue to, adversely affect global economies and financial markets, resulting in economic uncertainty that has caused, and could continue to cause, a loss of sales, operational and supply chain delays and disruptions (including as a result of government regulation and prevention measures), labour shortages and shutdowns, social unrest, declines in the price of goods and services, government, regulatory or private sector actions or inactions, capital markets volatility, a reduction in available financing for the Company or the Investees, or other unknown but potentially significant impacts, all of which could have a material adverse effect on the business, financial condition, operating results, and cash flows of the Company and the Investees.

The COVID-19 pandemic and the related laws may negatively impact certain Investees, including the cost of conducting operations, the amount of sales, and the impact of facility, retail, and workplace closures. Further changes to the operations of certain Investees may be required in the future as the situation continues to evolve.

Challenging Global Financial Conditions

In recent years, global financial conditions have displayed increased volatility, with such volatility having caused significant financial institutions to, among other things, go into bankruptcy or be rescued by governmental authorities. Future events could cause global financial conditions to destabilize suddenly and rapidly, and governmental authorities may have limited resources to respond to such future crises. Further, global capital markets have displayed increased volatility in response to recent global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, pandemics or outbreaks of new infectious diseases or viruses, changes to energy prices, or sovereign defaults. Any sudden or rapid destabilization of global economic conditions, including as a result of the COVID-19 pandemic, could negatively impact the ability of the Company or the Investees to obtain equity or debt financing or make other suitable arrangements to finance their projects. It may also impact the ability of the Investees to meet their commitments to the Company and other counterparties, including royalty payments, interest payments, and other debt obligations, which may negatively impact the Company's financial condition, operating results, and cash flow. If increased levels of volatility continue or if there is a general decline in global economic conditions, it may impact, among other things, the operations of certain Investees, patterns of consumption and service, the financial markets, the price of the Common Shares, the value of the Company's investments, and the Company's ability to realize successful monetization events involving its economic interests in the Investees, which could have a material adverse effect on the Company and the Investees.

Limited Operating History

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

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

Volatility of the Common Share Price

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the financial results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by market analysts, changes in the Company's business prospects, developments with respect to the Investees, general economic conditions (including volatile economic conditions in response to the COVID-19 pandemic), regulatory changes, industry trends impacting the cannabis sector generally, and other events and factors outside of the Company's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares. Continued volatility of the market price of the Common Shares may impact the ability of the Company to raise additional capital.

Security over Underlying Assets

There is no guarantee that the Company will be able to effectively enforce any guarantees, indemnities, or other security interests it may have, including security interests in the Investees. Should a bankruptcy or other similar event occur that precludes an Investee from performing its obligations under an agreement with the Company, the Company would have to enforce its security interest if it has one. However, the Company may be limited in its ability to enforce its security interests under applicable law. In the event that the Investee has insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

In addition, because the Investees may be owned and operated by foreign affiliates, the Company's security interests may be subject to enforcement and insolvency laws of foreign jurisdictions that differ significantly from those in Canada, and the Company's security interests may not be enforceable as anticipated. Further, there can be no assurance that any judgments obtained in Canadian courts will be enforceable in any of those jurisdictions. If the Company is unable

to enforce its security interests, there may be a material adverse effect on the Company. Moreover, the Company may not be able to negotiate a security interest, or the perfection or registration of such security may be cost prohibitive.

Internal Controls

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

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

Furthermore, the Company is dependent upon the quality of financial information provided to it by certain Investees, which in turn is dependent upon adequate internal controls over financial reporting within the Investees' respective finance functions. While the Company works closely with the Investees with respect to receiving, analyzing, and querying the financial information received, there can be no assurance that the financial information provided by Investees is accurate and free of material misstatement or fraud. Should the financial information provided by Investees be materially incorrect, the Company may be required to re-file its financial statements, which could also cause investors to lose confidence in the Company's reported financial information, which in turn could also result in a reduction in the trading price of the Common Shares.

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

Difficulty to Forecast

The Company relies largely on its own market research and information provided by the Investees to forecast industry trends, statistics, and market sizes, as well as the success of the business, products, plans, and strategies of the Investees as detailed forecasts are, with certain exceptions, not generally available from other sources at this early stage of the cannabis industry. If the Company's forecasts are not accurate as a result of competition, technological change, change in the regulatory or legal landscape, change in consumer behavior, or other factors, including the impact of the COVID-19 pandemic, the business, financial condition, and results of operations of the Company may be adversely effected.

Equity Price Risk

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

Taxes

A significant portion of the Company's income is derived from its subsidiaries. The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in any of the countries in which the Company may operate could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations, or rules will not be enacted or that existing tax laws, regulations, or rules will not be changed, interpreted or applied in a manner that could result in the Company's profits being subject to additional taxation or that could otherwise have a material adverse effect on the Company or the price of the Common Shares.

It is not known or determinable by the Company when any audits or reassessment by the Canada Revenue Agency of transactions will be initiated or issued, or the basis, quantum, or timing of any such reassessments, and it is therefore not practicable for the Company to estimate the financial effect, if any, of any ongoing audits. From time to time there may also be proposed legislative changes to law or outstanding legal actions that may have an impact on applicable law or jurisprudence, the outcome, applicability, and impact of which is also not known or determinable by the Company, but which may have a material adverse effect on the Company or the price of the Common Shares.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a material adverse effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events, actions, or prospects at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

Hedging Risk

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

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

PFIC Classification

The Company believes that it meets the requirements to be considered a passive foreign investment company ("PFIC") within the meaning of the U.S. Internal Revenue Code for the twelve months ended March 31, 2021. Accordingly, certain potentially adverse U.S. federal income tax rules may cause U.S. federal income tax consequences for the Company's U.S. investors resulting from the acquisition, ownership, and disposition of Common Shares.

The determination as to whether a corporation is, or will be, a PFIC for a particular tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations and uncertainty. Whether any corporation will be a PFIC for any tax year depends on its assets and income over the course of such tax year, and, as a result, the Company's PFIC status for its current tax year and any future tax year cannot be predicted with certainty. The PFIC rules are complex and may be unfamiliar to U.S. investors. Accordingly, investors subject to U.S. federal taxation are urged to consult their own tax advisors concerning the application of the PFIC rules to their investment in the securities.