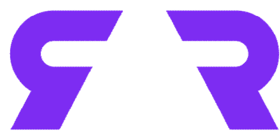

RIV CAPITAL

RIV CAPITAL INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE MONTHS AND YEARS ENDED MARCH 31, 2022 AND 2021

Date: June 10, 2022

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 class A common shares (the "Common Shares") are listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "RIV".

RIV Capital is an investment and acquisition firm specializing in cannabis. The Company aims to capitalize on the building momentum in the United States ("U.S.") cannabis market and pursue investment or acquisition opportunities in established U.S.-based operating businesses. As of the date hereof, in light of the Etain Acquisition (as defined herein) and the agreements referenced under the heading "Company Overview – Etain Acquisition and the Additional Hawthorne Investment", following the Initial Etain Closing (as defined herein), the Company (through Etain (as defined herein)) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"). Please refer to "Regulatory Framework" below for additional information.

This MD&A reports on the financial condition and results of operations of RIV Capital for the three months and years ended March 31, 2022 and 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended March 31, 2022 and 2021 (the "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 year ended March 31, 2022, and 2021. This MD&A is dated June 10, 2022.

Additional information, including this MD&A, the Consolidated Financial Statements, the Company's annual information form dated June 10, 2022 (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.

Unless otherwise indicated, all financial information in this MD&A is presented in thousands of dollars, except share and per share amounts, and references to "$" are to Canadian dollars and references to "U.S.$" are to United States dollars.

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", "seek", "positioned", "project", "risk" or similar expressions and includes, among others, statements relating to:

- the evolution of cannabis markets globally and the potential for global investment opportunities to arise;
- the Company's expectations regarding legislation, regulations, and licensing related to various cannabis markets and product offerings;
- the potential time frame for the implementation of legislation and related regulations regarding the production, sale, and use of hemp and hemp-derived products 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 impact of legislative changes related to cannabis on the ability of the Company to further invest or hold interests in other entities in the U.S. or any other jurisdiction;
- the size of the medical and adult-use cannabis markets in various cannabis markets;
- the Company's expectations of the anticipated benefits of the Hawthorne Investments (as defined herein) and the proposed uses of the remaining proceeds thereof;
- the Company's expectation that it will be the preferred vehicle of The ScottsMiracle-Gro Company ("ScottsMiracle-Gro") for cannabis-related investments not currently under the purview of its subsidiary, The Hawthorne Gardening Company;
- 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 and plans surrounding the shift in its strategic focus to the U.S. cannabis market;
- the Company's expectations of the anticipated benefits of the Etain Acquisition and strategic rationales for acquiring Etain, including expectations regarding legal cannabis market opportunities in New York and the legalization of adult-use cannabis in New York;
- the Company's expectations regarding completion of the Second Etain Closing (as defined herein), including the expected timing thereof and expectations regarding receipt of regulatory approvals from the New York State Cannabis Control Board (the "Cannabis Control Board") and the New York State Office of Cannabis Management (collectively, the "OCM");
- the Company's expectations regarding the receipt of additional financing from The Hawthorne Collective (as defined herein);
- the Company's expectations with respect to its future financial results, and terms of strategic initiatives and strategic agreements;
- the Company's expectations with respect to its business activities and 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 the business activities and future financial and operating performance of its domestic and international Investees;
- the Company's exposure to risks related to the cannabis industry, including in light of the Etain Acquisition;
- the Company's exposure to risks related to the ability of Investees to make contractual payments owed to it;
- expectations regarding timing and receipt of cash inflows from certain Investees, where the Company has recognized a provision for credit losses on the related receivable;
- the Company's expectations about the growth and future market volatility of the cannabis industry;
- the potential impact of infectious diseases, including COVID-19 (as defined herein) and other general economic trends on the Company and the Investees;
- the effects of COVID-19 on the global economy and financial markets;
- 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 change in the Company's presentation currency from Canadian dollars to U.S. dollars;
- 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 management of the Company's portfolio, including its growth, optimization, and capital allocation;
- the potential for the Company to invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees;
- the Company's dividend policy and its current stated goal to reinvest retained earnings, if any;
- statements about expected use of proceeds from fund raising activities;
- the assumptions and expectations described in the Company's critical accounting policies and estimates; and
- the adoption and impact of certain accounting pronouncements.

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 "Financial Risk Management" 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 "Financial Risk Management" 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.

TRADEMARKS, TRADE NAMES AND COPYRIGHTS

This MD&A includes trade-marks, trade names, and material subject to copyright, which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the Company's trade-marks, trade names, and copyrighted material referred to in this MD&A may appear without the TM, ® or © symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trade-marks, trade names, and copyrights. All other trade-marks used in this MD&A are the property of their respective owners.

COMPANY OVERVIEW

RIV Capital is an investment and acquisition firm specializing in cannabis. Since its formation, the Company has engaged in strategic transactions with companies licensed under the Canadian federal regulatory framework for cannabis cultivation, processing, distribution, 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 (as defined below), the Company shifted its strategic focus to the U.S. cannabis market. The Company aims to capitalize on the building momentum in the U.S. cannabis market and pursue large investment or acquisition opportunities in established U.S.-based operating businesses. On March 30, 2022, the Company announced the Etain Purchase Agreements (as defined below) to acquire Etain and on April 22, 2022, the Initial Etain Closing occurred and RIV Capital acquired the non-regulated portion of the Etain Companies.

AIM2 Ventures Inc. Qualifying Transaction

RIV Capital was incorporated as "AIM2 Ventures Inc." on October 31, 2017, under the *Business Corporations Act* (Ontario) (the "OBCA") as a capital pool company under Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual.

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

CGC Transaction

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"). Prior to completion of the CGC Transaction, the Company was controlled by CGC. In connection with the CGC Transaction, CGC ceased to hold any equity, debt, or other interest in the Company and 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 Company's consolidated financial statements for the twelve months ended March 31, 2021, and 2020 (the "2021 Consolidated Financial Statements") and the related Management's Discussion and Analysis for the three and twelve months ended March 31, 2021, and 2020 (the "2021 Annual MD&A") for additional details about the CGC Transaction.

Initial Hawthorne Investment

As further discussed under "Corporate and Investment Strategy – Strategic Shift to the U.S. Cannabis Market" below, in early 2021, RIV Capital embarked upon a strategic shift to the U.S. cannabis market. On August 24, 2021, The Hawthorne Collective Inc. ("The Hawthorne Collective"), a newly-formed cannabis-focused subsidiary of ScottsMiracle-Gro, invested U.S.$150,000 in the Company pursuant to an unsecured convertible promissory note (the "Convertible Note I") issued by RIV Capital (the "Initial Hawthorne Investment"). The Initial Hawthorne Investment established RIV Capital as ScottsMiracle-Gro's preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro).

Etain Acquisition and the Additional Hawthorne Investment

On March 30, 2022, the Company announced definitive agreements (the "Etain Purchase Agreements") to acquire (the "Etain Acquisition") ownership and control of Etain IP LLC and Etain, LLC, owners and operators of legally licensed cannabis cultivation and retail dispensaries in the state of New York (the "Etain Companies" or "Etain"), for U.S.$247,006 (subject to certain adjustments) payable through a combination of cash and newly issued Common Shares. Under the terms of the Etain Purchase Agreements, the cash portion of the purchase price represents U.S.$212,219 and U.S.$34,787 of the purchase price is being satisfied by the issuance of Common Shares (subject to certain adjustments). The acquisition of the Etain business is the first step in the execution of the RIV Capital strategy, shifting from an investor in the cannabis value chain to a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S.

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

On April 22, 2022, concurrent with the Initial Etain Closing, The Hawthorne Collective completed an additional U.S.$25,000 investment in the Company pursuant to an unsecured convertible promissory note (the "Convertible Note II", and together with the Convertible Note I, the "Convertible Notes") issued by RIV Capital (the "Additional Hawthorne Investment", and together with the Initial Hawthorne Investment, the "Hawthorne Investments").

To finance the cash portion of the consideration payable pursuant to the Initial Etain Closing, the Company utilized proceeds received from the Hawthorne Investments.

On March 30, 2022, the Company also announced that the Company's board of directors (the "Board") named Mark Sims as President and Chief Executive Officer of the Company to lead the Company's formal entry into the U.S. market and expansion into licensed adult-use operations in New York.

The table below lists, as of the date of this MD&A, the Company, its active controlled material subsidiaries, their respective jurisdictions of incorporation or formation and the percentage of voting securities of each that are beneficially owned, controlled or directed by the Company:

Name of Company	Place of Incorporation or Formation	Ownership %
RIV Capital Inc.	Canada	N/A
RCC	Canada	100%
2683922 Ontario Inc.	Canada	100%
RIV Capital US Corporation	United States	100%
RIV Capital US Holdings LLC	United States	100%
RIV Capital US Real Estate LLC	United States	100%
RIV Capital US Services LLC	United States	100%
Etain IP LLC	United States	100%

In addition, the Company, through its subsidiaries, provides support services to Etain, LLC, a legally licensed cannabis cultivation and retail dispensary operator in the state of New York. The Company has also entered into agreements with Etain, LLC that prevent Etain, LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the expected economic benefits that the Company expects to derive from the relationship with Etain, LLC. For financial reporting purposes, the Company is considered to control a subsidiary when it has power to direct certain activities of an entity, is exposed, or has rights to, variable returns from its involvement with an entity, and has the ability to affect those returns. The Company has assessed that as of the Initial Etain Closing, it has control over Etain, LLC under the meaning ascribed for financial reporting purposes.

CORPORATE AND INVESTMENT STRATEGY

Legacy Portfolio

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 its shift in investment strategy

discussed herein, the Company has capitalized on certain monetization opportunities such that its active portfolio of investees has decreased.

Strategic Shift to the U.S. Cannabis Market

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 shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market.

As discussed above under "Company Overview – Initial Hawthorne Investment", on August 24, 2021, The Hawthorne Collective invested U.S.$150,000 in the Company pursuant to the Convertible Note I issued by the Company.

As discussed above under "Company Overview – Etain Acquisition and Additional Hawthorne Investment", on March 30, 2022, the Company announced the Etain Purchase Agreements to acquire Etain and on April 22, 2022, the Initial Etain Closing occurred and RIV Capital acquired the non-regulated portion of the Etain Companies. In addition, to provide the Company with additional financing support for the Etain Acquisition, The Hawthorne Collective invested U.S.$25,000 in the Company pursuant to the Convertible Note II issued by the Company.

The Second Etain Closing is subject to, among other things, receipt of all required regulatory approvals, including from the OCM, and is expected to occur in the second half of 2022.

In addition to pursuing its 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 for its shareholders.

DESCRIPTION OF BUSINESS AND INDUSTRY

Legacy 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 initial 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 (the "Investees"):

Company[(1)(2)]	Location of Operations
Agripharm	Canada (Alberta, British Columbia, Manitoba, Ontario, Quebec, Prince Edward Island, and Saskatchewan)
BioLumic	New Zealand, U.S., and Europe
Dynaleo	Canada (Alberta, British Columbia, Manitoba, Ontario, Northwest Territories, Saskatchewan, and Yukon)
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 United Arab Emirates
LeafLink International	Canada (Ontario)
NOYA	Canada (Alberta, British Columbia, Manitoba, Newfoundland, Ontario, and Saskatchewan)
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 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 these companies and, in the case of Civilized, the Company does not currently ascribe any value to its 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 shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. On March 30, 2022, the Company entered into the Etain Purchase Agreements and on April 22, 2022, the Company completed the Initial Etain Closing. The Second Etain Closing is expected to occur in the second half of 2022.

The Company believes that the market opportunity in the U.S. continues to be significant, and that current political and regulatory conditions present 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, plus the District of Columbia, where cannabis is legal for adult use and 37 states, plus the District of Columbia, where cannabis is legal for medical use, representing a large addressable population. According to data published by BDS Analytics in February 2022, the country's legal cannabis sales totaled approximately U.S.$23.6 billion in 2021. 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, the Hawthorne Investments, and the Etain Acquisition, it is well-positioned with its strong balance sheet and existing expertise and knowledge of the U.S. cannabis landscape to continue to grow in the U.S. market.

REGULATORY FRAMEWORK

Prior to the Etain Acquisition, RIV Capital did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. In light of the Etain Acquisition and the agreements referenced under the heading "Company Overview – Etain Acquisition and the Additional Hawthorne Investment", following the Initial Etain Closing, the Company (through Etain) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. Etain is a legally licensed cannabis cultivation and retail dispensary operator in the state of New York. Etain is one of the state's original five medical cannabis license recipients and one of 10 approved vertically integrated operators. Etain has four operating dispensaries, including its flagship store in Manhattan and locations in Kingston, Syracuse, and Westchester. The Investees are not currently directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice).

Pursuant to the Staff Notice, 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, such as this MD&A. The Company will evaluate, monitor, and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the

event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation that may have an impact on Etain, LLC's licences, business activities, or operations will be promptly disclosed by the Company.

In accordance with the Staff Notice, below is a discussion of the federal and state-level U.S. regulatory regime in New York state, where Etain is currently involved in the cannabis industry. Also included below is a summary of the cannabis regulatory framework in Canada.

Cannabis Regulatory Framework – Canada

Medical cannabis has been regulated in Canada since 2001 under various legislative 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.

Under the Cannabis Act, 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 potential 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. For example, 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 by consumers 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.

Cannabis Regulatory Framework – United States (Federal-Level)

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, 37 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 states and the territory of Guam, 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.

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. See “Risk Factors” in the AIF for additional information.

It is unclear what specific impact the 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.

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.

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.

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. See “Risk Factors” in the AIF for additional information.

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 Services 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. Subsequently, Connecticut, New Mexico, New York, and Virginia (during 2021) and Rhode Island (during 2022) passed legislation to allow adult use of cannabis, with implementing legislation and regulations for commercial sales to follow. Other states, including Maryland, Missouri, Ohio, and Pennsylvania, 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 States Reform Act, 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 and other events may impact the timeline for the potential passage of these reforms as regulators prioritize their response to the health and economic crisis, or other domestic priorities. There can be no assurance that any of these pieces of legislation will become law in the U.S.

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.

For the reasons set forth above, the Company's existing investments in the U.S., and any current and future investments in the U.S. cannabis market that the Company pursues under its revised corporate strategy, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may

be subject to direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to further invest in the U.S. or any other jurisdiction. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its investments in certain Investees, its financial position, operating results, profitability or liquidity or the market price of the Common Shares.

Moreover, as a result of the Company's strategy targeting opportunities in the U.S. cannabis market and/or the Etain Acquisition, 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.

Please refer to "Regulatory Framework – Other Risk Related to Investing in the U.S. Cannabis Industry" below and the "Risk Factors" section in the AIF for additional details.

Cannabis Regulatory Framework – United States (State-Level and Compliance Summary)

New York Legislative History

In July 2014, the New York legislature and Governor of New York enacted the Compassionate Care Act (the "CCA") to provide a comprehensive, safe and effective medical cannabis program. The CCA bill was part of the Title V-A in Article 33, Title 10, Chapter 13 of the Public Health Law. The CCA provided access to the program to those who suffer from one of 31 qualifying serious conditions including debilitating or life-threatening conditions such as cancer, HIV/AIDS, ALS and chronic pain. Patients were also required to have one of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures, or severe or persistent muscle spasms. Pursuant to the CCA, only a limited number of product offerings were allowed including metered liquid or oil preparations, solid and semi-solid preparations (e.g., capsules, chewable and effervescent tablets), metered ground plant preparations, and topical forms and transdermal patches. Medical cannabis was not permitted to be incorporated into food products unless approved by the Commissioner of Health and smoking of cannabis flower was prohibited.

On March 31, 2021, the New York legislature passed the Marijuana Regulation and Taxation Act (the "MRTA"), legalizing adult-use cannabis in the state and establishing a regulatory framework for adult-use cannabis. Under the MRTA, the CCA provisions were repealed effective six months after the appointment of the Cannabis Control Board, the approval and oversight body of the Office of Cannabis Management. The Cannabis Control Board was appointed in September 2021 and held its first meeting on October 5, 2021. Accordingly, the CCA was repealed as of April 2022. The MRTA also provides for the transfer of authority over medical cannabis from the New York Department of Health ("NYDOH") to the Cannabis Control Board and the Office of Cannabis Management. The Cannabis Control Board has also issued proposed regulations to govern medical cannabis, which would replace the regulations promulgated by the NYDOH. The comment period on the proposed medical cannabis regulations closed on May 9, 2022 and the Cannabis Control Board may promulgate final regulations thereafter.

Etain is currently regulated under New York state law related to medical dispensaries. Etain has received licences to cultivate and manufacture cannabis products, and to sell those products to individuals who have been prescribed medical marijuana and who have appropriate identification cards issued by the state. The cultivation, manufacture, and sale must occur on the licensed premises. Etain currently has four operating dispensaries in New York. Under New York state law, licensed medical dispensaries may be permitted to sell adult-use cannabis products, once final regulations have issued. Please refer to "Compliance Program and Procedures" below for information regarding Etain, LLC's compliance program and procedures.

New York Licenses

The NYDOH has issued licenses to ten registered organizations which hold vertically integrated licenses. Each registered organization has one cultivation/processing license and four dispensary licenses. Under the MRTA, the authority to renew existing licenses and to issue new licenses has transferred from the NYDOH to the OCM.

The New York dispensary, growing and processing licenses are valid for two years from the date of issuance and license holders are required to submit a renewal application not more than six months nor less than four months prior to expiration. License holders must ensure that no cannabis is sold, delivered, transported or distributed by a producer to or from a location outside of New York.

While Etain, LLC's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that New York cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned New York cannabis operations and could have a material adverse effect on the business, financial condition and results of operations of the Company and Etain.

The table below lists Etain, LLC's active and pending NYDOH licenses:

License Number	City/County	Expiration Date	Description
MM0401M	Chester	07/31/2023	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
MM0403D	Kingston	07/31/2023	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
MM0404D	Yonkers	07/31/2023	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
MM0405D	Syracuse	07/31/2023	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
MM0407D	New York	07/31/2023	Acquiring, possession, sale, transporting, distributing, and dispensing medical marijuana
OCM-HMPD-22-00028	Westchester	03/25/2023	Cannabinoid Hemp Distributor Permit
OCM-HMPR-22-00108	Westchester	02/06/2023	Cannabinoid Hemp Retail License
OCM-HMPR-22-00108-001	N/A	02/06/2023	Cannabinoid Hemp Retail License
OCM-HMPR-22-00108-002	N/A	02/06/2023	Cannabinoid Hemp Retail License
OCM-HMPR-22-00108-003	N/A	02/06/2023	Cannabinoid Hemp Retail License
OCM-HMPR-22-00108-004	N/A	02/06/2023	Cannabinoid Hemp Retail License
OCM-HMPR-22-00108-005	N/A	02/06/2023	Cannabinoid Hemp Retail License

New York Record-Keeping and Reporting

The NYDOH uses the BioTrack THC T&T system used to track commercial cannabis activity. Each month, each registered organization is required to file reports with the NYDOH which provides information showing all products dispensed during the month. All other data shall be pulled from the BioTrack THC T&T system. The data must include (a) documentation, including lot numbers where applicable, of all materials used in the manufacturing of the approved medical cannabis products to allow tracking of the materials, including but not limited to, soil, soil amendment, nutrients, hydroponic materials, fertilizers, growth promoters, pesticides, fungicides, and herbicides, (b) cultivation, manufacturing, packaging and labelling production records, and (c) laboratory testing results. The records are required to be maintained for a period of five years.

New York Inventory/Storage

A record of all approved medical cannabis products that have been dispensed must be filed with the NYDOH by registered organizations electronically through BioTrack THC no later than 24 hours after the cannabis was dispensed to a certified patient or designated caregiver. The information filed must include (a) a serial number for each approved medical cannabis product dispensed to the certified patient or designated caregiver, (b) an identification number for the registered organization's dispensing facility, (c) the patient's name, date of birth and gender, (d) the patient's address, and (e) the patient's registry identification card number.

All cannabis that is not part of a finished product must be stored in a secure area or location within the registered organization and be accessible only to a minimum number of employees essential for efficient operation and in such a manner as approved by the NYDOH in advance, to prevent diversion, theft or loss and against physical, chemical and microbial contamination and deterioration. Cannabis must be returned to its secure location immediately after completion of manufacture, distribution, transfer or analysis.

New York Security

All facilities operated by a registered organization, including any manufacturing facility and dispensing facility, must have a security system to prevent and detect diversion, theft or loss of cannabis and/or medical cannabis products. The security system must utilize commercial grade equipment which includes (a) a perimeter alarm, (b) a duress alarm, (c) a panic alarm, and (d) a holdup alarm. Manufacturing and dispensing facilities must direct cameras at all approved safes, vaults, dispensing areas, cannabis sales areas and any other area where cannabis is manufactured, stored, handled, dispensed or disposed of. Manufacturing and dispensing facilities must angle the cameras to allow for the capture of clear and certain identification of any person entering or exiting the facilities. The surveillance cameras must record 24 hours, seven days a week. Recordings from all surveillance cameras must be readily available for immediate viewing by a New York State authorized representative upon request and must be retained for at least 90 days. A registered organization must test the security and surveillance equipment no less than semi-annually at each manufacturing and dispensing facility that is operated under the registered organization's registration. Records of security tests must be maintained for five years.

New York Transportation

Cannabis products must be transported in a locked storage compartment that is part of the vehicle transporting the cannabis and in a storage compartment that is not visible from outside the vehicle. An employee of a registered organization, when transporting approved medical cannabis products, must (a) travel directly to his or her destination(s) and may not make any unnecessary stops in between, (b) ensure that all approved medical cannabis product delivery times are randomized, (c) appoint each vehicle with a minimum of two employees where at least one transport team member remains with the vehicle at all times, (d) possess a copy of the shipping manifest at all times when transporting or delivering approved medical cannabis products, and (e) keep the shipping manifest in a safe compartment for a minimum of five years.

New York Inspections

A medical marijuana facility in New York must make its books, records and manufacturing and dispensing facilities available to the New York Department of Health or its authorized representatives for monitoring, on-site inspection, and audit purposes, including but not limited to, periodic inspections and/or evaluations of facilities, methods, procedures, materials, staff and equipment to assess compliance with requirements of New York state law.

U.S. Attorney Statements in New York

To the knowledge of management of the Company, other than as disclosed elsewhere in this AIF, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in New York. See "Risk Factors" in the AIF for further details.

Compliance Program and Procedures

Prior to the Etain Acquisition, the Company did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. In light of the Etain Acquisition, the Company is developing its internal compliance and standard operating procedures on this topic, which will be fully integrated with the extensive state-approved standard operating procedures and compliance policies and programs Etain, LLC has in place. In entering into the Etain Purchase Agreements, the Company conducted appropriate diligence to confirm that Etain has internal policies and procedures to maintain compliance with applicable state laws and as to current compliance. The Etain Purchase Agreements included appropriate representations as to current compliance. While the Company believes that Etain, LLC is currently in compliance with New York state rules, regulations and license requirements, there are significant risks associated with its business and the business of its contractual parties. Further, the rules and regulations as outlined above are not a full complement of all the rules that Etain, LLC is required to follow in the state of New York. Etain, LLC monitors, and the Company will monitor, the applicable rules and regulations of the state of New York as well as correspondence and changes to, and updates of, rules or regulatory policies impacting Etain, LLC in the state of New York. The Company has engaged New York state and local regulatory/compliance counsel to assist in evaluating compliance of applicable requirements. The Company understands that Etain, LLC has longstanding New York State-specific legal counsel, in addition to its Compliance Department, to monitor and implement applicable requirements.

Etain, LLC has no non-compliance citations or notices of violation which may have a material impact on its licenses, business activities or operations.

Further, Etain has in place comprehensive standard operating procedures and policies, which are compliant with the applicable state and local laws, regulations, ordinances, and other requirements Etain ensures adherence to standard

operating procedures by regularly conducting internal compliance inspections and assessments and is committed to ensuring any issues identified are resolved quickly and thoroughly.

In addition, Etain, LLC has a comprehensive training program that emphasizes, among other things, the importance of compliance with state and local laws and security and inventory control.

In order to comply with industry best practices, Etain, LLC performs the following:

- Ensure the operations are compliant with all licensing requirements that are set forth with regards to cannabis operation by New York State.

- Ensure the activities relating to cannabis business adhere to its New York State licensing requirements.

- Etain, LLC functions within the New York State regulatory environment, which imposes a range of requirements and strict regulatory oversight aimed at ensuring, as do Etain's business policies and practices, sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises, gangs and cartels.

- Ensure Etain, LLC's products and product packaging are in compliance with applicable regulations and contain required disclaimers regarding such products.

While Etain, LLC strives, and the Company will strive, to ensure that operations are in compliance with New York state laws, regulations and licensing requirements, some of such activities remain illegal under U.S. federal law. For the reasons described above, the risks described below under "Other Risks Related to Investing in the U.S. Cannabis Industry" and the risks further described under the heading "*Risk Factors*" in the AIF, there are significant risks associated with the business of Etain (and the Company).

Other Risks Related to Investing in the U.S. Cannabis Industry

Contracts and Service Providers

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.

Prior to the Initial Etain Closing, the Company engaged in discussions with its service providers, including its auditor and any entities that provide commercial banking services to RIV Capital, 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. The Company successfully completed certain required transitions to new service providers prior to the Initial Etain Closing.

Taxes

An additional challenge for cannabis-related businesses in the U.S. is that the provisions of Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), are being applied by the Internal Revenue Service (the "IRS") to businesses operating in the medical and adult-use cannabis industry in the U.S. Pursuant to Section 280E of the Code, "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted."

Accordingly, Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the U.S. cannabis industry, such as Etain, may be less profitable than they would otherwise be if the provisions of Section 280E of the Code were not applicable. Furthermore, although the IRS issued a clarification allowing the deduction of cost of goods sold, the scope of such items is interpreted very narrowly, and a significant portion of operating costs and general administrative costs are not permitted to be deducted. These tax

provisions could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Access to Public and Private Capital

Given the illegality of cannabis under U.S. federal law, the Company's access to capital could be negatively affected by public and/or private capital not being available to support continuing operations or future investment opportunities. To date, the Company has been able to access equity financing through public and private markets in Canada, and debt financing through the Convertible Notes. At present, management believes that capital availability could change without notice, requiring the Company to operate solely on currently available and internally generated funds.

There can be no assurance that additional financing will be available to the Company when needed or on terms that are acceptable to the Company. The Company's inability to raise financing to fund its capital expenditures and execute on its investment strategy could limit its growth and may have a material adverse effect upon future profitability.

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 and its Investees' 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 implemented certain preventative measures, including a work-from-home program and certain restrictions on business travel and in-person meetings. The Company 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.

Going forward, the Company expects to continue to experience some short to medium-term negative impacts from the COVID-19 pandemic and the ongoing uncertainty related to it, including the potential for 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 timing and length of any travel restrictions and business closures that have been or may be imposed by government authorities. However, the COVID-19 pandemic has had, and may continue to have, an adverse effect on global economies and financial markets, which may result 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 "Financial Risk Management" herein and "Risk Factors" in the AIF for additional details.

CORPORATE DEVELOPMENTS

Financing Activities

Capital Activity During the Year Ended March 31, 2022

Hawthorne Investments

On August 24, 2021, The Hawthorne Collective, a wholly-owned subsidiary of ScottsMiracle-Gro, purchased Convertible Note I in the principal amount of $188,475. The consideration paid by The Hawthorne Collective for the purchase of Convertible Note I was received by the Company in U.S. dollars (U.S.$150,000). Convertible Note I has a maturity date of August 24, 2027, and bears interest at a rate of approximately 2.0% per annum until August 24, 2023, after which no interest will accrue for the remainder of the term. Accrued interest will be payable on the maturity date or will be included in the conversion value of Convertible Note I at the time of conversion. Convertible Note I is convertible into Common Shares at a fixed conversion price of $1.90 per Common Share. Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at RIV Capital's discretion upon the later of: (i) August 24, 2023; and (ii) the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027. Assuming full conversion of Convertible Note I, including the full amount of the anticipated accrued interest over the life of Convertible Note I, The Hawthorne Collective would be entitled to receive 103,224,782 Common Shares.

In addition, The Hawthorne Collective has a “top-up” option to purchase additional convertible promissory notes to increase its *pro rata* ownership of the Company, to a maximum of 49.0% of the Company’s outstanding Common Shares (on a partially-diluted basis), on substantially the same terms as Convertible Note I 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 to exercise its “top-up” option, 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.

On March 30, 2022, The Hawthorne Collective exercised its “top-up” option to purchase Convertible Note II. Convertible Note II includes substantially the same terms as Convertible Note I. Assuming full conversion of Convertible Note II, including the full amount of the anticipated accrued interest over the life of Convertible Note II, The Hawthorne Collective would be entitled to receive an additional 19,722,524 Common Shares.

Conversion of the Convertible Notes is subject to the 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) and stock exchange approvals, and other conditions set out in the terms of the Convertible Notes. The Company used proceeds from the Hawthorne Investments to finance the cash portion of the consideration payable at the Initial Etain Closing and expects to use any remaining proceeds from the Hawthorne Investments to finance the cash portion of the consideration payable at the Second Etain Closing.

In connection with the Initial Hawthorne Investment, the Company entered into an investor rights agreement, as amended (the “Investor Rights Agreement”), with The Hawthorne Collective providing for, among other things, customary registration rights, participation rights, certain standstill and transfer restrictions, and the right to nominate up to three directors to the Board. The Hawthorne Collective and its affiliates (including ScottsMiracle-Gro and The Hawthorne Gardening Company) agreed to present certain business opportunities in the cannabis sector to RIV Capital and to pursue such opportunities with the Company in accordance with the terms of the Investor Rights Agreement. On March 30, 2022, in connection with the Additional Hawthorne Investment, the Company entered into an amendment to the Investor Rights Agreement with The Hawthorne Collective providing for, among other things, an increase to the size of the Board from seven to nine members and the right for The Hawthorne Collective to nominate an additional director for election to the Board.

Please refer to Notes 12 and 20 in the Consolidated Financial Statements for additional information regarding Convertible Note I and Convertible Note II, respectively.

Summary

Below is a summary of the Company's equity capital activity during the year ended March 31, 2022:

	Common Shares
Opening balance – March 31, 2021	142,084,523
Exercise of consultant options	97,272
Redemption of PSUs	253,342
Redemption of RSUs	157,266
Ending balance – March 31, 2022	**142,592,403**

Investments

During the year ended March 31, 2022, the Company did not add any Investees to its portfolio and divested its interest in five Investees. Please refer to the Consolidated Financial Statements, AIF, and elsewhere in this MD&A for additional details on the Company's investments prior to March 31, 2021.

Investments Held Throughout the Year Ended March 31, 2022

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. 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.

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

As at March 31, 2022, the Company determined that Agripharm would not be able to meet its financial obligations pursuant to the royalty agreement (including the payment of the outstanding overdue royalty balance owing to the Company, as well as future minimum annual payments) based upon market factors and underlying business conditions. Accordingly, the Company has discontinued its recognition of royalty income pursuant to the royalty agreement and has written off the entire outstanding gross royalty receivable balance of $5,715 on its statement of financial position, against which it had previously recognized a provision for expected credit losses for the full amount. To estimate the fair value of the royalty interest, the Company used an adjusted book value approach, which considered the Company's priority claim on Agripharm's assets, and the amounts expected to be recovered through an orderly liquidation of those assets. The estimation of the recoverable amount of Agripharm's assets included significant assumptions regarding the recoverability range for various assets (expressed as a percentage of carrying value). Please refer to the Consolidated Financial Statements for additional details.

BioLumic

BioLumic Inc. ("BioLumic") is a company that, through its Light Signals Recipes™, combines biological insights, genetic marker knowledge, data, and innovation in light-mediated plant development. Through one-time application of Light Signal Recipes™ to young plants or seeds, BioLumic has created large improvements in plant yield, quality, and disease resistance. This includes triggering genetic expression changes to better match existing genetics to varying environments and growing system requirements. To date, the company has applied its technology and research to 12 crops; in cannabis, BioLumic has repeatedly achieved greater than 40% quality yield gains and greater than 25% THC/cannabinoid concentration gains and is engaging with large cannabis cultivators and grow light companies.

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

On March 2, 2022, the principal amount of $668 (U.S.$500) that the Company had advanced to BioLumic pursuant to the second convertible promissory note agreement converted into 90,799 preferred shares of BioLumic.

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 is 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 and international chains like Whole Foods and Sobeys. Greenhouse Juice, which was certified as a “B Corporation” in November 2020, 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% upon exercise (a control warrant).

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

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

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

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. (Arizona, California, Colorado, Illinois, Maryland, Massachusetts, Michigan, Nevada, Oregon, 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.

On November 18, 2021, the principal amount of $1,080 (U.S.$800) that the Company had advanced to Headset pursuant to the convertible promissory note agreement converted into 554,313 preferred shares of Headset.

High Beauty

High Beauty, Inc. ("High Beauty") is a beauty company, offering multiple products under the brands *high* and *canBE Naturally*, including cleansing foams, facial oils, facial moisturizers, eye gels, and peeling masks, among others. Product offerings under 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. The *high*-branded portfolio of products is sold through U.S. retailers, including Macy's, Ross, SkinStore, SkinRX, 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*-branded portfolio is distributed through U.S. retailers, including Walmart.com, AskDerm, and natural food retailers. High Beauty also has distribution partnerships with retailers and distributors in Asia, the Middle East, and the United Kingdom.

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.

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

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 7,900 cannabis retailers across approximately 26 territories in the U.S. with approximately 3,200 vendors, servicing approximately U.S.$4.5 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 260 cannabis retailers and approximately 64 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 dried 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 cultivates for Cookies- and Gage-branded products, which can be found in Alberta, British Columbia, Manitoba, Newfoundland, Ontario, 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.

As at March 31, 2022, the Company determined that there was a risk that NOYA would not be able to meet its financial obligations pursuant to the royalty agreement (including the payment of the outstanding overdue royalty balance owing to the Company as at March 31, 2022, of $1,496 and future minimum annual payments of $900) based upon market factors and underlying business conditions. This risk is reflected in the assumptions used in the Company's estimation of the fair value of the royalty interest and the provision for expected credit losses on the outstanding royalty receivable balance. Please refer to the Consolidated Financial Statements for additional details.

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, corn, and soybeans.

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

Other Investments

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 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.

RAMM

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

During the year ended March 31, 2022, the Company sold 50,500 common shares of RAMM for aggregate net proceeds of $35.

Divestments Made During the Year Ended March 31, 2022

CGC

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

During the year ended March 31, 2022, the Company sold 3,565,402 common shares of CGC for aggregate net proceeds of $106,707. As at March 31, 2022, the Company no longer owned any CGC common shares.

Herbert

10663522 Canada Inc., operating through its wholly-owned subsidiaries Herbert Works Ltd. and 11010131 Canada Inc. (collectively, "Herbert"), was a beverage brand platform licensed to conduct research and development activities under the Cannabis Act.

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% upon exercise (a control warrant).

On September 28, 2021, the Company entered into a share transfer agreement pursuant to which the Company transferred its 4,074,074 preferred shares of Herbert to Greenbud Holdings Inc. for nominal consideration and agreed to cancel its previously-held control warrant. Accordingly, as at March 31, 2022, the Company no longer owned any financial assets in Herbert.

PharmHouse

PharmHouse Inc. ("PharmHouse"), a joint venture formed on May 7, 2018, between the Company and 2615975 Ontario Limited (the "PharmHouse Majority Shareholder"), was a company formerly licensed to cultivate cannabis under the Cannabis Act. As of the date of this MD&A, PharmHouse has been assigned into bankruptcy.

CCAA Proceedings

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 an 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 (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 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 (the "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.

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

PharmHouse Guarantee

Prior to March 31, 2021, PharmHouse entered a syndicated credit agreement (as amended, the "PharmHouse Credit Agreement") with a number of Canadian banks (the "Lenders") for a committed, non-revolving credit facility with a maximum principal amount of $90,000 (the "PharmHouse Credit Facility"), which was fully drawn. The obligations of PharmHouse under the PharmHouse Credit Facility were secured by guarantees of the Company and RCC, and a pledge by RCC of all of the shares of PharmHouse held by it (the "PharmHouse Guarantee"). 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. Subsequent to the signing of the PharmHouse Asset Purchase Agreement, 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"). 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 noted above, in connection with the termination of the CCAA Proceedings, on September 9, 2021, the Company received the Final PharmHouse Distribution. The Second Guarantee Payment (a cash outflow) and the Final PharmHouse Distribution (a cash inflow) are presented on the Company's consolidated statement of cash flows on a net basis. Accordingly, during the year ended March 31, 2022, the Company made net payments of $1,070 in respect of the PharmHouse Guarantee.

Statement of Claim

As at March 31, 2022, the statement of claim received by the Company on February 10, 2021, as disclosed in the 2021 Consolidated Financial Statements and the 2021 Annual MD&A (the "Revised Claim"), had been discontinued by the PharmHouse Majority Shareholder. As of the date of this MD&A, no further action has been taken in respect of the Revised Claim.

Nova Cannabis

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

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

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

Tweed Tree Lot

Tweed Tree Lot (formerly Spot Therapeutics Inc.) was 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) and terminated the lease agreement. Accordingly, as at March 31, 2022, the Company no longer had any agreements with Tweed Tree Lot.

Summary

Below is a summary of the Company's investments as at March 31, 2022. Please refer to Note 16 of the 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 Mar. 31, 2022**	**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
Greenhouse Juice(3)	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)
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

Royalty and Debt Investments[1]			
Investee	**Investment**	**Capital Advanced as at Mar. 31, 2022**	**Notes[2]**
NOYA[3]	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 March 31, 2022, 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 "Financial Risk Management" herein and "Risk Factors" in the AIF.

(3) See "Corporate Developments – Investments" herein for additional details relating to the risks associated with the required annual payments.

Equity and Warrant Investments[1]				
Investee	**Investment**	**Cost Base[2]**	**Number of Shares / Warrants**	**Notes**
BioLumic	Preferred shares	$2,692	472,389	• Represents an approximate 7% equity interest on a fully-diluted basis
Dynaleo	Common shares	$1,613	1,449,569	• Represents an approximate 7% equity interest on a fully-diluted basis
	Warrants	$387	1,000,000	
Greenhouse Juice[3][4]	Preferred Shares	$5,000	3,830,412	• Represents an approximate 29% equity interest on a fully-diluted basis (excluding control warrant) • Control warrant to purchase 51% of the fully-diluted shares
	Control warrant	Nominal	n/a	
Headset	Preferred shares	$5,359	2,126,901	• Represents an approximate 7% equity interest on a fully-diluted basis
High Beauty[3][5]	Preferred shares	$2,867	2,500,000	• Represents an approximate 18% 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 March 31, 2022, 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 generally represents the purchase price of the investment made by the Company. 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 – Greenhouse Juice" herein for additional details relating to the current estimated value of the Company's investment in Greenhouse Juice preferred shares.

(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 March 31,			Year ended March. 31,		
	2022	2021	2020	2022	2021	2020
Summary Operating Results						
Operating income (loss)[1]	$ (2,014)	$ 748	$ 2,589	$ (3,169)	$ 618	$ 11,922
Operating expenses	4,767	7,890	3,484	14,876	15,505	19,303
Net operating loss (before equity method investees and fair value changes)	(6,781)	(7,142)	(895)	(18,045)	(14,887)	(7,381)
Equity method investees and fair value changes[2]	(4,111)	(19,857)	(29,656)	(44,855)	(16,874)	(32,323)
PharmHouse-related recovery (charges)[3]	-	2,800	(1,015)	1,935	(118,681)	(2,253)
Net operating loss	(10,892)	(24,199)	(31,566)	(60,965)	(150,442)	(41,957)
Net loss	(17,306)	(21,478)	(30,515)	(52,731)	(133,880)	(40,566)
Other comprehensive income (loss) (net of tax)	121	86,324	(6,280)	497	201,201	(77,560)
Total comprehensive income (loss)	(17,185)	64,846	(36,795)	(52,234)	67,321	(118,126)
Basic loss per share ("EPS")	$ (0.12)	$ (0.13)	$ (0.16)	$ (0.37)	$ (0.72)	$ (0.22)
Diluted EPS	$ (0.12)	$ (0.13)	$ (0.16)	$ (0.37)	$ (0.72)	$ (0.22)
Summary Cash Flow Results						
Cash used in operating activities	$ (1,238)	$ (5,278)	$ (686)	$ (28,394)	$ (8,093)	$ (7,666)
Cash provided by (used in) investing activities	-	94,142	(2,335)	110,318	88,232	(50,755)
Cash provided by (used in) financing activities	(43)	1,023	67	187,162	1,019	962
Balance Sheet Data						
Cash				$ 398,255	$ 127,882	$ 46,724
Total assets				457,615	335,362	300,385
Total liabilities				126,831	23,902	2,107
Shareholders' equity				330,784	311,460	298,278

(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 March 31, 2021 and 2020, which is reflected in "PharmHouse-related recovery (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 March 31, 2021 and 2020. Excludes the Company's change in provision for expected credit losses on interest receivable on PharmHouse-related loans receivable for the periods ended March 31, 2021 and 2020, 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 $17,306 and basic and diluted EPS of $(0.12) for the three months ended March 31, 2022, compared with a net loss of $21,478 and basic and diluted EPS of $(0.13) for the same period last year. For the three months ended March 31, 2022, net loss was primarily driven by an unrealized foreign exchange loss of $6,062, operating expenses of $4,767, a negative net change in the fair value of financial assets reported at fair value through profit or loss ("FVTPL") of $3,787, accretion expense on Convertible Note I of $3,022, and an increase in the provision for expected credit losses on interest and royalty receivables of $2,179, partially offset by an income tax recovery of $2,849, among other items. For the three months ended March 31, 2021, net loss was primarily driven by a negative net change in the fair value of financial assets at FVTPL of $19,810, operating expenses of $7,890, and an increase in the provision for expected credit losses on loans receivable of $1,700, partially offset by a decrease in the provision for expected credit losses on the PharmHouse Guarantee of $4,500 and an income tax recovery of $2,599, among other items.

The Company reported a total comprehensive loss of $17,185 for the three months ended March 31, 2022, compared with total comprehensive income of $64,846 for the same period last year. For the three months ended March 31, 2022, comprehensive loss was driven primarily by the factors impacting net loss described above. Comprehensive income for the three months ended March 31, 2021, was driven by a positive net change in the fair value of financial assets at fair value through other comprehensive income ("FVTOCI") of $86,324 (net of tax), partially offset by the factors impacting net loss above.

The Company reported a net loss of $52,731 and basic and diluted EPS of $(0.37) for the year ended March 31, 2022, compared with a net loss of $133,880 and basic and diluted EPS of $(0.72) for the same period last year. For the year ended March 31, 2022, net loss was primarily driven by a negative net change in the fair value of financial assets at FVTPL of $43,064, operating expenses of $14,876, accretion expense on Convertible Note I of $7,198, an increase in the provision for expected credit losses on interest and royalty receivables of $5,065, and share of loss from equity method investees of $1,604, partially offset by an income tax recovery of $12,473, a decrease in the provision for expected credit losses on the PharmHouse Guarantee of $1,935, gross royalty and interest income on financial assets at FVTPL of $1,782, an unrealized foreign exchange gain of $1,287, and a gain on disposition of the Company's finance lease receivable of $1,103, among other items. For the year ended March 31, 2021, net loss was primarily driven by PharmHouse-related charges, including an increase in the provision for expected credit losses on loans receivable of $53,656, the Company's share of loss on the Company's investment in PharmHouse common shares of $37,025, an increase in the provision for expected credit losses on the PharmHouse Guarantee of $28,000, and an increase in the provision for expected credit losses on PharmHouse interest receivable of $8,939, among other items. The net loss was also impacted by a negative net change in the fair value of financial assets at FVTPL of $16,444, operating expenses of $15,505, and an increase in the provision for expected credit losses on interest and royalty receivables (excluding PharmHouse-related items) of $3,873, and was partially offset by an income tax recovery of $18,474, gross royalty and interest income on financial assets at FVTPL of $10,306, and gross interest income on the Company's loans receivable (before provisions for credit losses) of $2,447.

The Company reported a total comprehensive loss of $52,234 for the year ended March 31, 2022, compared with total comprehensive income of $67,321 for the same period last year. For the year ended March 31, 2022, comprehensive loss was driven by the factors impacting net loss described above, while comprehensive income for the year ended March 31, 2021, was driven by a positive net change in the fair value of financial assets at FVTOCI of $201,201 (net of tax), offset by the factors impacting net loss described above.

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

The Company reported an operating loss (before equity method investees and fair value changes) of $2,014 (net of an increase in the provision for expected credit losses of $2,179) for the three months ended March 31, 2022, compared with operating income (before equity method investees and fair value changes) of $748 (net of an increase in the provision for expected credit losses of $96) for the same period last year.

For the three months ended March 31, 2022, operating loss was primarily driven by an increase in the provision for expected credit losses on interest and royalty receivables of $2,179, which primarily related to the interest receivable on the Greenhouse Juice secured convertible debenture; and was partially offset by royalty and interest income (before provisions for expected credit losses) of $165 generated from the Company's debenture and royalty agreements with NOYA. During the three months ended March 31, 2022, the Company determined it was no longer appropriate to recognize interest income on the Greenhouse Juice secured convertible debenture and wrote off the entire related outstanding interest receivable (against which an expected credit loss for the full amount has been recognized). For the three months ended March 31, 2021, operating income was primarily comprised of royalty and interest income (before provisions for expected credit losses) of $673 generated from the Company's royalty and debenture agreements with Agripharm, Greenhouse Juice, NOYA, and Tweed Tree Lot; and interest and management fee income of $171 generated from the lease agreement with Tweed Tree Lot; offset by an increase in the provision for expected credit losses on interest and royalty receivables of $96, which primarily related to the receivable on the Agripharm royalty interest.

The Company reported an operating loss (before equity method investees and fair value changes) of $3,169 (net of an increase in provision for expected credit losses of $5,065) for the year ended March 31, 2022, compared with operating income (before equity method investees and fair value changes) of $618 (net of an increase in provision for expected credit losses of $12,812) for the same period last year.

For the year ended March 31, 2022, operating loss was primarily driven by an increase in the provision for expected credit losses on interest and royalty receivables of $5,065, which primarily related to the receivables on the Agripharm and NOYA royalty interests, and Greenhouse Juice secured convertible debenture; and was partially offset by royalty and interest income (before provisions for expected credit losses) of $1,782 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. As discussed above and in the Consolidated Financial Statements, during the year ended March 31, 2022, the Company determined it was no longer appropriate to recognize royalty income on the Agripharm royalty interest and interest income on the Greenhouse Juice secured convertible debenture, and wrote off the entire respective outstanding royalty and interest receivables. For the year ended March 31, 2021, operating loss was primarily driven by an increase in the provision for expected credit losses on interest and royalty receivables of $12,812, which primarily related to the interest receivable on the PharmHouse shareholder loan and the receivable on the Agripharm royalty interest; and was partially offset by royalty and interest income (before provisions for expected credit losses) of $10,306 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, NOYA, TerrAscend Canada, and Tweed Tree Lot; interest income (before provisions for expected credit losses) of $2,447 generated from the loans receivable with PharmHouse; and interest and management fee income of $677 generated from the lease agreement with Tweed Tree Lot.

Operating Expenses

The Company reported total operating expenses of $4,767 for the three months ended March 31, 2022, compared with $7,890 for the same period last year.

General and administrative expenses were $2,230 for the three months ended March 31, 2022, compared with $1,972 for the same period last year. For the three months ended March 31, 2022, these expenses were primarily attributable to employee compensation of $1,213 (including a variable component that was recognized during the quarter) and other general and administrative activities (including insurance, business development, and general public company costs) of the Company of $1,017. For the three months ended March 31, 2021, these expenses were primarily attributable to employee compensation of $1,392 (including a variable component that was recognized during the quarter) and other general and administrative activities of the Company of $580.

Consulting and professional fees were $131 for the three months ended March 31, 2022, compared with $685 for the same period last year. For the three months ended March 31, 2022, these expenses were primarily attributable to legal fees of $83, primarily related to legacy portfolio management and general corporate and securities matters; and audit, tax, accounting, and other regulatory compliance advisory fees of $48. For the three months ended March 31, 2021, these expenses were primarily attributable to legal fees of $349; and audit, tax, accounting, and other regulatory compliance advisory fees of $336.

Share-based compensation expense was $520 for the three months ended March 31, 2022, compared with $500 for the same period last year. For the three months ended March 31, 2022, share-based compensation attributable to PSUs (as defined herein) was $355; share-based compensation attributable to RSUs (as defined herein) granted to non-employee directors was $90; share-based compensation attributable to options issued to directors, officers, and employees was $74; and share-based compensation attributable to options issued to consultants was $1. For the three months ended March 31, 2021, share-based compensation attributable to options issued to directors, officers, and employees was $269; share-based compensation attributable to PSUs was $124; share-based compensation attributable to RSUs granted to non-employee directors was $60; and share-based compensation attributable to options issued to consultants was $47.

Transaction costs for the three months ended March 31, 2022, were $1,809, compared with $nil for the same period last year. For the three months ended March 31, 2022, these costs primarily related to legal fees of $1,580 and other transaction advisory fees (excluding capitalized costs) of $229.

Restructuring costs for the three months ended March 31, 2022, were $nil, compared with $4,687 for the same period last year. For the three months ended March 31, 2021, these costs primarily related to advisory and other professional fees incurred in respect of the CGC Transaction referenced in "Company Overview – CGC Transaction" herein.

The Company reported total operating expenses of $14,876 for the year ended March 31, 2022, compared with $15,505 for the same period last year.

General and administrative expenses were $7,013 for the year ended March 31, 2022, compared with $5,582 for the same period last year. For the year ended March 31, 2022, these expenses were primarily attributable to employee compensation of $3,525, and other general and administrative activities of the Company of $3,488. For the year ended March 31, 2021, these expenses were primarily attributable to employee compensation of $3,563, and other general and administrative activities of the Company of $2,019.

Consulting and professional fees were $1,229 for the year ended March 31, 2022, compared with $1,853 for the same period last year. For the year ended March 31, 2022, these expenses were primarily attributable to audit, tax,

accounting, and other regulatory compliance advisory fees of $777; and legal fees of $452, primarily related to legacy portfolio management and general corporate and securities matters. For the year ended March 31, 2021, these expenses were primarily attributable to audit, tax, accounting, and other regulatory compliance advisory fees of $1,024; and legal fees of $829.

Share-based compensation expense was $1,452 for the year ended March 31, 2022, compared with $934 for the same period last year. For the year ended March 31, 2022, share-based compensation attributable to options issued to directors, officers, and employees was $571; share-based compensation attributable to PSUs was $542; share-based compensation attributable to RSUs granted to non-employee directors was $312; and share-based compensation attributable to consultants was $27. For the year ended March 31, 2021, share-based compensation attributable to options issued to directors, officers, and employees was $1,608; share-based compensation attributable to PSUs was $587; share-based compensation attributable to RSUs granted to non-employee directors was $217; share-based compensation attributable to seed capital options was a recapture of $1,336; and share-based compensation attributable to options issued to consultants was a recapture of $142.

Transaction costs for the year ended March 31, 2022, were $4,961, compared with $nil for the same period last year. For the year ended March 31, 2022, these costs primarily related to legal fees of $2,281, retention bonuses of $1,432, and other transaction advisory fees (excluding capitalized costs) of $1,248.

Restructuring costs for the year ended March 31, 2022, were $nil, compared with $6,953 for the same period last year. For the year ended March 31, 2021, these costs primarily related to advisory and other professional fees incurred in respect of the CGC Transaction referenced in "Company Overview – CGC Transaction" herein, as well as legal and other consulting fees relating to the PharmHouse CCAA Proceedings referenced in "Corporate Developments – Investments – PharmHouse" herein.

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 $6,781 for the three months ended March 31, 2022, compared with $7,142 for the same period last year.

Net operating loss (before equity method investees and fair value changes) was $18,045 for the year ended March 31, 2022, compared with $14,887 for the same period last year.

Equity Method Investees and Fair Value Changes

Share of loss from equity method investees was $137 for the three months ended March 31, 2022, compared with a share of loss of $47 for the same period last year. As noted in the Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. 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 March 31, 2022. Greenhouse Juice, High Beauty, LeafLink International, and NOYA represented the Company's equity method investees for which a share of loss was recognized for the three months ended March 31, 2021.

On a regular basis, the Company assesses its investments in associates for indicators of impairment. In circumstances where indicators of impairment are present, the Company will test the investment as a whole to determine if there is an impairment loss that should be recognized based on the difference between the recoverable amount and carrying amount of a particular investment. During the three months and year ended March 31, 2022, the Company recognized impairment charges of $187 in respect of its equity investment in Greenhouse Juice, compared with no impairment charges for the same periods last year. Please refer to the Consolidated Financial Statements for additional information relating to impairment charges recognized during the period.

The net change in fair value of financial assets at FVTPL was a decrease of $3,787 for the three months ended March 31, 2022, compared with a decrease of $19,810 for the same period last year. For the three months ended March 31, 2022, the net decrease was primarily driven by the negative change in the fair value of the Company's investments in the Greenhouse Juice secured convertible debenture of $2,190 and Agripharm royalty interest of $1,000, among other factors. For the three months ended March 31, 2021, the net decrease was primarily driven by the negative change in the fair value of the Company's investments in the CGC common shares of $12,795 and TerrAscend Term Loan and TerrAscend Warrants II (as defined in the 2021 Consolidated Financial Statements) of $7,015, among other factors.

Share of loss from equity method investees was $1,604 for the year ended March 31, 2022, compared with a share of loss of $37,917 for the same period last year. 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 year ended March 31,

2022. Canapar, Herbert, High Beauty, Greenhouse Juice, LeafLink International, NOYA, and PharmHouse represented the Company's equity method investees for which a share of loss was recognized for the year ended March 31, 2021. For the year ended March 31, 2021, the Company's share of loss from PharmHouse of $37,025 included an adjustment to the underlying results of PharmHouse for the three months ended June 30, 2020, to reflect the impairment charge on fixed assets as a result of the Restructuring. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information. Please refer to Note 8 in the Consolidated Financial Statements for additional information regarding the operating results and financial position of the Company's equity method investees.

As noted above, the Company recognized impairment charges of $187 for the year ended March 31, 2022, compared with no impairment charges for the same period last year.

The net change in fair value of financial assets at FVTPL was a decrease of $43,064 for the year ended March 31, 2022, compared with a decrease of $16,444 for the same period last year. For the year ended March 31, 2022, the net decrease was primarily driven by the negative change in the fair value of the Company's investments in CGC common shares of $37,085 (which was realized upon the Company's disposition of the CGC common shares during the period), Greenhouse Juice secured convertible debenture of $2,290, Agripharm royalty interest of $2,100, RAMM common shares of $1,449, and NOYA royalty interest of $800, among other factors. For the year ended March 31, 2021, the net decrease was primarily driven by the negative change in the fair value of the Company's investments in the CGC common shares of $12,795, Agripharm royalty interest of $7,500, Greenhouse Juice secured and unsecured convertible debentures and warrants of $3,970, Civilized convertible debenture of $2,100, and Canapar call option of $1,100, partially offset by the positive change in the fair value of the Company's investments in the TerrAscend Term Loan and TerrAscend Warrants II of $8,075, and the Vert Mirabel preferred shares of $2,450, among other factors. Please refer to Notes 9 and 16 in the Consolidated Financial Statements for additional information regarding 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 decrease of $1,935 for the year ended March 31, 2022, compared with an increase of $28,000 for the same period last year. The recovery for the year ended March 31, 2022, was due to the Final PharmHouse Distribution received upon termination of the CCAA Proceedings.

Net Operating Loss

Based on the foregoing, the Company reported a net operating loss of $10,892 for the three months ended March 31, 2022, compared with $24,199 for the same period last year.

Net operating loss was $60,965 for the year ended March 31, 2022, compared with $150,442 for the same period last year.

Comprehensive Income (Loss)

The Company reported a total comprehensive loss of $17,185 for the three months ended March 31, 2022, compared with total comprehensive income of $64,846 for the same period last year.

Net loss was $17,306 for the three months ended March 31, 2022, compared with $21,478 for the same period last year. In addition to the factors described above, included in net loss is an income tax recovery of $2,849 and $2,599 for the three months ended March 31, 2022 and 2021, respectively. Income tax recovery of $2,849 for the three months ended March 31, 2022, is comprised of current income tax recovery of $1,294 and deferred income tax recovery of $1,555. Net loss for the three months ended March 31, 2022, also included an unrealized foreign exchange loss of $6,062 and accretion expense on Convertible Note I of $3,022, among other factors.

The net change in fair value of financial assets at FVTOCI was an increase of $121 (net of tax expense of $19) for the three months ended March 31, 2022, compared with an increase of $86,324 (net of tax expense of $15,727) for the same period last year. For the three months ended March 31, 2022, the net increase was primarily driven by the positive change in the fair value of the Company's investment in Biolumic preferred shares of $1,530, partially offset by the negative change in the fair value of the Company's investment in Dynaleo common shares of $1,090, among other factors. For the three months ended March 31, 2021, the net increase was primarily driven by the positive change in the fair value of the Company's investment in the exchangeable shares in the capital of TerrAscend Corp. ("TerrAscend") of $109,412, partially offset by the negative change in the fair value of the Company's investment in Vert Mirabel common shares of $7,629, among other factors.

The Company reported a total comprehensive loss of $52,234 for the year ended March 31, 2022, compared with total comprehensive income of $67,321 for the same period last year.

Net loss was $52,731 for the year ended March 31, 2022, compared with a net loss of $133,880 for the same period last year. In addition to the factors described above, included in net loss is an income tax recovery of $12,473 and $18,474 for the year ended March 31, 2022 and 2021, respectively. Income tax recovery of $12,473 for the year ended March 31, 2022, is comprised of current income tax recovery of $11,416 and deferred income tax recovery of $1,057. Net loss for the year ended March 31, 2022, also included accretion expense on Convertible Note I of $7,198, partially offset by an unrealized foreign exchange gain of $1,287 and a gain on the disposition of the Tweed Tree Lot finance lease receivable of $1,103, among other factors.

The net change in fair value of financial assets at FVTOCI was an increase of $497 (net of tax expense of $76) for the year ended March 31, 2022, compared with an increase of $201,201 (net of tax expense of $33,475) for the same period last year. For the year ended March 31, 2022, the net increase was primarily driven by the positive change in the fair value of the Company's investments in Biolumic preferred shares of $1,630 and Headset preferred shares of $400, partially offset by the negative change in the fair value of the Company's investment in Dynaleo common shares of $1,090, among other factors. For the year ended March 31, 2021, the net increase was primarily driven by the positive change in the fair value of the Company's investment in the exchangeable shares in the capital of TerrAscend of $247,912, partially offset by the negative change in the fair value of the Company's investment in Vert Mirabel common shares of $11,029, as well as foreign exchange losses on the Company's investment in ZeaKal preferred shares of $1,600, among other factors. Please refer to Notes 10 and 16 in the Consolidated Financial Statements for additional information regarding 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 $28,394 for the year ended March 31, 2022, compared with net cash used of $8,093 for the same period last year. For the year ended March 31, 2022, net cash used in operating activities was primarily driven by the net settlement of the Company's fiscal 2021 taxes payable of $16,869 (primarily related to the CGC Transaction). Excluding this payment, net cash used in operating activities was $11,525 for the period. Net loss for the year ended March 31, 2022 and 2021, was $52,731 and $133,880, respectively, and included numerous non-cash items, which are reflected in the Company's consolidated statement of cash flows in the Consolidated Financial Statements.

Cash Flows Provided by Investing Activities

Net cash provided by investing activities was $110,318 for the year ended March 31, 2022, compared with net cash provided by investing activities of $88,232 for the same period last year. For the year ended March 31, 2022, net cash provided by investing activities was primarily driven by the disposition of the CGC common shares for proceeds of $106,815. The Company also disposed of its interest in Nova Cannabis common shares for proceeds of $1,451 and its property in Fredericton, New Brunswick, (previously recognized on the Company's statement of financial position as a finance lease receivable) for proceeds of $3,990. Included in cash flows provided by investing activities is a net outflow related to the PharmHouse Guarantee of $1,070, which included the Second Guarantee Payment of $7,535, offset by the receipt of the Final PharmHouse Distribution of $6,465. During the year ended March 31, 2021, the Company received cash consideration of $118,387 upon closing of the CGC Transaction in exchange for the exchangeable shares in the capital of TerrAscend, TerrAscend Term Loan and TerrAscend Warrants II, Vert Mirabel preferred shares, and Vert Mirabel common shares, as well as the termination of the Tweed Tree Lot royalty interest. The Company also made a new investment in Dynaleo ($2,000) and follow-on investments in PharmHouse ($11,206), Headset ($1,080), Greenhouse Juice ($1,000), and BioLumic ($668). Included in cash flows used in investing activities is an outflow related to the First Guarantee Payment of $25,000, as well as an inflow of $7,000 related to the disposition of the Canapar common shares.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $187,162 for the year ended March 31, 2022, compared with net cash provided by financing activities of $1,019 for the same period last year. During the year ended March 31, 2022, net cash provided by financing activities was primarily attributable to the proceeds received from the issuance of Convertible Note I of $188,475, partially offset by financing costs of $1,184, among other factors. During the year ended March 31, 2021, net cash provided by financing activities was primarily attributable to the proceeds from the exercise of outstanding stock options of $1,500, partially offset by the repurchase of shares pursuant to the Company's normal course issuer bid for $307 and the payment of lease principal of $174.

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.

	Three months ended							
	March 31, 2022	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Summary Operating Results[1]								
Operating income (loss)[2]	$ (2,014)	$ 87	$ (1,681)	$ 439	$ 748	$ 3,003	$ (5,795)	$ 2,662
Operating expenses	4,767	2,474	5,127	2,510	7,890	3,390	1,555	2,669
Equity method investees and fair value changes[3]	(4,111)	(4,387)	175	(36,532)	(19,857)	4,524	(3,604)	(2,355)
PharmHouse-related items[4]	-	-	-	1,935	2,800	(13,700)	(103,363)	-
Net operating loss	(10,892)	(6,774)	(6,633)	(36,668)	(24,199)	(9,563)	(114,317)	(2,362)
Net income (loss)	(17,306)	(3,509)	(1,496)	(30,421)	(21,478)	1,406	(110,381)	(3,426)
Other comprehensive income (loss) (net of tax)	121	434	434	(492)	86,324	80,759	23,417	10,701
Total comprehensive income (loss)	(17,185)	(3,075)	(1,062)	(30,913)	64,846	82,165	(86,964)	7,275
Basic EPS	$ (0.12)	$ (0.02)	$ (0.01)	$ (0.21)	$ (0.13)	$ 0.01	$ (0.58)	$ (0.02)
Diluted EPS	$ (0.12)	$ (0.02)	$ (0.01)	$ (0.21)	$ (0.13)	$ 0.01	$ (0.58)	$ (0.02)

(1) Comparative information has been amended to align with current period 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 items".
(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 on PharmHouse-related loans 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 its existing operations, 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 "Risk Factors" in the AIF for information regarding 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.

During the year ended March 31, 2022, the Company financed its operations, investment portfolio, and current liquidity position primarily through proceeds raised from prior equity financings, consideration received pursuant to the CGC Transaction (including the subsequent sale of the CGC common shares received as consideration), and the proceeds received from the Initial Hawthorne Investment. As at March 31, 2022, working capital (calculated as the difference between the Company's current assets and current liabilities on its consolidated statement of financial position) was approximately $407,674, primarily attributable to the Company's cash balance of $398,255.

The Company believes 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.

In the future, the Company may face certain liquidity risks if it is unable to: i) generate sufficient cash to fund its ongoing requirements and obligations; and ii) 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: completing expansion and development activities relating to Etain's cultivation and retail dispensary operations; enhancing the Company's competitive positioning in the U.S. through brand partnerships; investing in new global cannabis opportunities, including investments in, or acquisitions of, established operating businesses in the U.S. cannabis market (including completing the Second Etain Closing); potentially making follow-on investments in existing Investees; and satisfying working capital requirements for Etain's business and operations, and the Company's general corporate functions, as well as for general corporate purposes.

On March 30, 2022, the Company entered into the Etain Purchase Agreements to acquire ownership and control of Etain for U.S.$247,006 (subject to certain adjustments), payable through a combination of cash and newly issued Common Shares. Under the terms of the Etain Purchase Agreements, the cash portion of the purchase price represents U.S.$212,219 and U.S.$34,787 of the purchase price is being satisfied by the issuance of Common Shares (subject to certain adjustments). In connection with the Initial Etain Closing, 80% or U.S.$197,605 of the purchase price was paid (of which U.S.$169,775 was paid in cash and U.S.$27,829 was satisfied through the issuance of 21,092,335 Common Shares, subject to customary post-closing adjustments). The remaining 20% or approximately U.S.$49,401 of the purchase price is payable upon the Second Etain Closing, of which approximately U.S.$42,444 is to be paid in cash and approximately U.S.$6,957 is to be satisfied by the issuance of 5,273,084 Common Shares. As previously disclosed, at the time of the announcement of the Etain Acquisition, The Hawthorne Collective had advised RIV Capital that it intended to provide RIV Capital with additional funding of U.S.$40,000, at a future date anticipated to be on or around the time of the Second Etain Closing, via a subscription for an additional convertible promissory note, pursuant to The Hawthorne Collective's "top-up" option. However, as of the date of this MD&A, The Hawthorne Collective has not exercised such "top-up" option in respect of the Second Etain Closing.

As at March 31, 2022, the Company did not have any contractual commitments to its Investees. However, 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.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

As at March 31, 2022, the Company had the following financial 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	$ 4,767	$ 4,767	$ -	$ -	$ -
Lease liability	549	346	203	-	-
Convertible Note I[1]	196,127	-	-	-	196,127
Total financial obligations	**$ 201,443**	**$ 5,113**	**$ 203**	**$ -**	**$ 196,127**

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

Financial Risk Management

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), regulatory risk, credit risk, liquidity risk, and asset forfeiture risk. See "Risk Factors" in the AIF for additional information regarding these risks.

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 16 of the Consolidated Financial Statements.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and U.S. dollar and other foreign currencies will affect the Company's operations and financial results. As at March 31, 2022, the functional currency of the Company and its subsidiaries is the Canadian dollar, with the presentation currency of the Company being the Canadian dollar. The Company and its subsidiaries hold cash and cash equivalents in the U.S. dollar. The Company does not currently engage in currency hedging activities to limit the risks of currency fluctuations. Consequently, fluctuations in the U.S. dollar/Canadian dollar exchange rate could have a negative impact on the Company's reported financial results. A 1.0% increase in the value of the U.S. dollar compared to the Canadian dollar would result in a potential gain of $5,182. A 1.0% decrease in the value of the U.S. dollar compared to the Canadian dollar would result in a potential loss of $2,607. Other than U.S.-denominated cash, the Company does not hold significant monetary assets or liabilities in currencies other than its functional currency. The Convertible Notes are denominated in Canadian dollars.

As of the date of this MD&A, the Company has exposure to U.S. operations through Etain IP LLC and Etain, LLC. For reporting periods following the Initial Etain Closing, the Company expects to change its presentation currency from the Canadian dollar to the U.S. dollar to better reflect the Company's business activities. As such, the Company's U.S. operations do not introduce risk in variation of exchange rates. The Company, however, will be exposed to financial reporting volatility in translation of its Canadian operations.

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 to which the Company is party will fluctuate because of changes in interest rates. The Company's exposure to interest rate risk is primarily limited to funding arrangements whereby the Company has committed to invest funds in the form of convertible or repayable debentures, notes, loans, or other debt instruments with variable interest rates, if any, or where the Company has borrowed funds in the form of convertible or repayable debentures, notes, loans, or other debt instruments with variable interest rates, if any. The Company's policy is to minimize cash flow exposure to interest rate risks on long-term financing. As at March 31, 2022, the Company is not directly party to any arrangement involving variable interest rates. The Convertible Notes carry a fixed interest rate for the first two years of approximately 2.0% and are thus not affected by changes in market interest rates.

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

Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon compliance with regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature than most other sectors of the economy. Any delays in obtaining, or failure to obtain, regulatory approvals could significantly delay operational and product development and could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company is cognizant of the advent of regulatory changes in the cannabis industry on the city, state, and national levels. Although the regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect that unforeseen regulatory changes could have on the goals and operations of the business as a whole.

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. Furthermore, although deposited cash is placed with U.S. financial institutions in good standing with regulatory authorities, changes in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry have passed the U.S. House of Representatives, but have not yet been voted on within the U.S. Senate. Given that current U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry.

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.

Please refer to "Corporate Developments – Investments" herein and the Consolidated Financial Statements for additional details relating to the credit risk associated with the Company's royalty interests in Agripharm and NOYA.

Liquidity Risk

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

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

Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry that are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2022, 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 1.3% of the issued and outstanding Common Shares on a fully diluted basis as at March 31, 2022. Compensation provided to key management personnel includes executive salaries and accrued bonuses, retention bonuses, director fees (excluding special committee fees and share-based compensation), special committee fees, and share-based compensation. For the three months ended March 31, 2022, and 2021, executive salaries and accrued bonuses were $764 and $984, respectively; director fees (excluding special committee fees and share-based compensation) were $42 and $44, respectively; special committee fees were $nil and $106, respectively; and share-based compensation was $185 and $364, respectively. For the year ended March 31, 2022, and 2021, executive salaries and accrued bonuses were $1,879 and $1,878, respectively; retention bonuses were $1,193 and $nil, respectively; director fees (excluding special committee fees and share-based compensation) were $181 and $156, respectively; special committee fees were $243 and $237, respectively; and share-based compensation was $876 and $1,536, respectively.

Transactions with The Hawthorne Collective: On August 24, 2021, The Hawthorne Collective invested $188,475 (U.S.$150,000) in the Company pursuant to Convertible Note I issued by the Company. On March 30, 2022, in order to provide the Company with additional financing in connection with the Etain Acquisition, The Hawthorne Collective exercised its "top-up" option to purchase Convertible Note II and on April 22, 2022, The Hawthorne Collective purchased Convertible Note II in the principal amount of $31,273 (U.S.$25,000).

Please refer to Notes 12 and 20 in the Consolidated Financial Statements for further details regarding the Initial Hawthorne Investment and the Additional Hawthorne Investment, respectively.

The accrued and unpaid interest under Convertible Note I as at March 31, 2022, is subject to Canada Revenue Agency ("CRA") non-resident thin capitalization tax rules. Accordingly, the Company recognized a withholding tax payable to the CRA in the amount of $372 on its consolidated statement of financial position. Under the Convertible Note I agreement, The Hawthorne Collective and the Company agreed to share this liability equally. As such, the Company has recognized a related party receivable from The Hawthorne Collective as at March 31, 2022, in the amount of $186.

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the 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 the 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 16 in the Consolidated Financial Statements for more information regarding 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 8 in the Consolidated Financial Statements for more information regarding the Company’s impairment analysis regarding its investments in associates.

Share-based compensation

In calculating 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 13 in the Consolidated Financial Statements for more information regarding the Company’s measurement of share-based payments.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparing the Consolidated Financial Statements have been applied consistently to all periods presented in the Consolidated Financial Statements, except as noted below.

New significant accounting policies applicable to the Company

IAS 32, Financial Instruments: Presentation

Following the closing of the Initial Hawthorne Investment, the Company adopted the standard relating to compound financial instruments.

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

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

Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and is subsequently measured at amortized cost.

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

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

New accounting pronouncements

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

Amendments to IAS 37, Onerous Contracts

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

Amendments to IFRS 3, Business Combinations

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

Amendments to IAS 12, Deferred Taxes

In May 2021, the IAS issued amendments to IAS 12 that narrow the scope of certain recognition exceptions so that they no longer apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the

cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at that date. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 8, Accounting Estimates

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

These new accounting amendments are not expected to have a significant impact on the Company in the current and future reporting periods. Please refer to Note 3(k) in the Consolidated Financial Statements for additional information.

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

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 and operating effectiveness of the Company's DC&P as at March 31, 2022. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these DC&P were effective as at March 31, 2022, to provide reasonable assurance that the information required to be disclosed in the Company's annual filings, 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 and operating effectiveness of the Company's ICFR as at March 31, 2022. Based on that evaluation, the CEO and CFO concluded that the design and operation of ICFR was effective as at March 31, 2022, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 year ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

OUTSTANDING SHARE DATA

The Company has one class of shares outstanding (the Common Shares). The Company is authorized to issue an unlimited number of Common Shares.

As at March 31, 2022, and June 10, 2022, the Company had the following securities issued and outstanding:

	As at March 31, 2022	As at June 10, 2022
Common Shares	142,592,403	163,803,677
Convertible Notes[1]	103,224,782	122,947,306
Stock Options	8,603,001	9,103,001
RSUs	381,697	381,697
PSUs	1,191,330	1,276,749

(1) Includes the principal and full amount of the anticipated accrued interest over the term of Convertible Note I and Convertible Note II under the assumption that conversion does not occur prior to interest being fully accrued on both Convertible Notes.

Convertible Note I and Convertible Note II held by The Hawthorne Collective are both outstanding as of the date of this MD&A and are convertible into Common Shares at a conversion price of $1.90 per Common Share and $1.65 per Common Share, respectively. Please refer to "Company Overview - Etain Acquisition and the Additional Hawthorne Investment", "Financing Activities – Hawthorne Investments" and Notes 12 and 20 in the Consolidated Financial Statements for additional information, as applicable, regarding the Hawthorne Investments.

Stock options outstanding as at March 31, 2022, are comprised of the following (as described in Note 13(c) in the 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
- 4,009,667 options issued to employees and directors of the Company, with exercise prices ranging between $1.10 and $4.50.

Restricted Share Units ("RSUs") outstanding as at March 31, 2022, are redeemable pursuant to the Company's share unit plan for non-employee directors as described in Note 13(d) in the Consolidated Financial Statements.

Performance Share Units ("PSUs") outstanding as at March 31, 2022, are redeemable pursuant to the Company's long-term incentive plan for employees of the Company as described in Note 13(e) in the 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 AND PROPOSED TRANSACTIONS

Developments since March 31, 2022

On April 22, 2022, the Initial Etain Closing occurred and RIV Capital acquired the non-regulated portion of the Etain Companies for U.S.$197,605 through a combination of U.S.$169,775 in cash and 21,092,335 newly issued Common Shares, subject to customary post-closing adjustments. To finance the cash portion of the consideration payable pursuant to the Initial Etain Closing, the Company utilized proceeds received from the Hawthorne Investments. An additional amount of approximately U.S.$49,401, subject to adjustment, will be paid in connection with the Second Etain Closing through a combination of cash and newly issued Common Shares subject to, among other things, receipt of all required regulatory approvals, including from the OCM. The Second Etain Closing is expected to occur in the second half of 2022.

On April 22, 2022, concurrent with the Initial Etain Closing, The Hawthorne Collective invested U.S.$25,000 in the Company pursuant to the Convertible Note II issued by the Company.

Please refer to "Company Overview – Etain Acquisition and the Additional Hawthorne Investment" and Note 20 in the Consolidated Financial Statements for additional information.

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

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

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

RISK FACTORS

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 risk factors discussed under the heading "Risk Factors" in the AIF, which has been filed under the Company's profile on SEDAR at www.sedar.com.