RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022

(In United States Dollars)

The accompanying unaudited condensed interim consolidated financial statements of RIV Capital Inc. have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by RIV Capital Inc.'s auditors.

RIV CAPITAL INC.

TABLE OF CONTENTS

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US $000's)	Notes	As at June 30, 2023	As at March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	5	$ 90,720	$ 77,468
Short term investments	6	-	20,392
Accounts receivable		93	94
Inventory	7	9,612	9,151
Biological assets	8	425	274
Income tax receivable		1,249	1,095
Other receivables	9	1,012	1,282
Prepaid expenses and deposits		1,220	2,131
Other current assets		5	19
		104,336	**111,906**
Right-of-use assets, net	10	13,844	12,145
Property, plant, and equipment, net	10	6,986	4,769
Intangible assets, net	11	104,061	104,377
Goodwill	11	6,031	6,031
Associates	12	1,880	1,995
Other investments	13	19,122	19,052
Other long-term assets		1,825	1,317
Deferred tax assets		271	226
		154,020	**149,912**
Total assets		**$ 258,356**	**$ 261,818**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 4,207	$ 5,203
Income tax payable	20	157	230
Deferred revenue		340	339
Lease liability - current	14	1,126	1,056
		5,830	**6,828**
Lease liability - non-current	14	13,699	11,899
Deferred tax liabilities	20	37,034	36,883
Convertible notes	15	102,649	97,361
Other long-term liabilities		121	-
		153,503	**146,143**
Total liabilities		**159,333**	**152,971**
Shareholders' equity			
Share capital	16	208,831	208,594
Contributed surplus		45,686	45,686
Reserves		77,644	77,965
Accumulated other comprehensive income		95,999	96,597
Deficit		(329,137)	(319,995)
Total shareholders' equity		**99,023**	**108,847**
Total liabilities and shareholders' equity		**$ 258,356**	**$ 261,818**

Commitments and contingencies (Note 17)

Subsequent event (Note 25)

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in US $000's, except for per share amounts)	Notes	Three months ended June 30, 2023	June 30, 2022
Revenue			
Revenue	18	$ 1,901	$ 1,428
Excise taxes		(115)	(87)
Total revenue, net		**1,786**	**1,341**
Cost of goods sold			
Cost of goods sold		1,591	783
Gross profit excluding fair value items		**195**	**558**
Unrealized gain (loss) on changes in fair value of biological assets	8	197	(36)
Realized fair value amounts included in inventory sold		1	-
Gross profit		**393**	**522**
Operating expenses			
Selling, general, and administrative expenses	19	5,306	5,529
Operating loss		**(4,913)**	**(5,007)**
Other income (loss)			
Share of loss from associates	12	(159)	(133)
Net change in fair value of financial assets at fair value through profit or loss	13	(47)	(166)
Accretion and interest expense	14,15	(3,516)	(3,826)
Foreign exchange gain (loss)		(1,464)	6,304
Other income (loss), net		897	(22)
Loss before taxes		**(9,202)**	**(2,850)**
Income tax expense (recovery)	20	(60)	624
Net loss		**$ (9,142)**	**$ (3,474)**
Other comprehensive income (loss) not subsequently reclassified to net loss			
Net change in fair value of financial assets at fair value through other comprehensive income, net of tax expense (recovery) of $40 (2022 - $72)	13	(261)	470
Other comprehensive loss subsequently reclassified to net loss			
Foreign currency translation adjustment		(337)	(5,019)
Total comprehensive loss		**$ (9,740)**	**$ (8,023)**
Loss per share - basic	21	**$ (0.07)**	**$ (0.02)**
Loss per share - diluted	21	**$ (0.07)**	**$ (0.02)**

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US $000's)	Notes		Three months ended June 30, 2023		June 30, 2022
Cash flows used in operating activities					
Net loss		$	(9,142)	$	(3,474)
Adjustments for non-cash items:					
Unrealized (gain) loss on changes in fair value of biological assets	8		(197)		36
Realized fair value amounts included in inventory sold			(1)		-
Share-based compensation expense	16, 19		57		232
Depreciation and amortization	19		428		706
Change in provision for credit losses	24		-		53
Share of loss from associates	12		159		133
Net change in fair value of financial assets at fair value through profit or loss	13		47		166
Accretion and interest expense	14, 15		3,516		3,826
Foreign exchange (gain) loss			1,464		(6,304)
Income tax expense (recovery)	20		(60)		624
Changes in working capital	22		(1,855)		(732)
Net cash used in operating activities before income taxes			(5,584)		(4,734)
Income taxes paid	20		(130)		-
Net cash used in operating activities		**$**	**(5,714)**	**$**	**(4,734)**
Cash flows provided by (used in) investing activities					
Disposition of short term investments	6		20,392		-
Purchase of property, plant, and equipment	10		(1,316)		(32)
Purchase of intangible assets	11		(10)		-
Disposition of associates	12		-		1,696
Disposition of other financial assets	13		-		2,564
Cash consideration paid in business acquisitions, net of cash acquired	4		-		(170,307)
Net cash provided by (used in) investing activities		**$**	**19,066**	**$**	**(166,079)**
Cash flows provided by (used in) financing activities					
Proceeds from issuance of convertible notes, net of financing costs	15		-		24,888
Payment of lease principal	14		(579)		(338)
Net cash provided by (used in) financing activities		**$**	**(579)**	**$**	**24,550**
Net increase (decrease) in cash		$	12,773	$	(146,263)
Effect of foreign exchange rate movements on cash held			479		(906)
Cash, beginning of period			77,468		318,706
Cash, end of period		**$**	**90,720**	**$**	**171,537**

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

				Reserves					
(Expressed in US $000's, except for share amounts)	Number of Class A Common Shares	Share capital	Contributed surplus	Share-based compensation	Convertible notes	Common Shares to be issued	Deficit	Accumulated other comprehensive income	Shareholders' equity
Balance at March 31, 2022	**142,592,403**	**$ 186,085**	**$ 45,686**	**$ 14,237**	**$ 54,784**	**$ -**	**$ (140,736)**	**$ 104,658**	**$ 264,714**
Issuance of Class A Common Shares pursuant to business combinations	21,092,335	21,345	-	-	-	-	-	-	21,345
Redemption of performance share units	118,939	84	-	(84)	-	-	-	-	-
Share-based compensation (options)	-	-	-	82	-	-	-	-	82
Share-based compensation (restricted share units)	-	-	-	131	-	-	-	-	131
Share-based compensation (performance share units)	-	-	-	19	-	-	-	-	19
Equity component of convertible note, net of tax	-	-	-	-	8,749	-	-	-	8,749
Deferred tax liability recognition – share issuance costs	-	(44)	-	-	-	-	-	-	(44)
Deferred share consideration pursuant to business combinations	-	-	-	-	-	5,337	-	-	5,337
Net loss	-	-	-	-	-	-	(3,474)	-	(3,474)
Other comprehensive income	-	-	-	-	-	-	-	470	470
Foreign currency translation adjustment	-	-	-	-	-	-	-	(5,019)	(5,019)
Balance at June 30, 2022	**163,803,677**	**$ 207,470**	**$ 45,686**	**$ 14,385**	**$ 63,533**	**$ 5,337**	**$ (144,210)**	**$ 100,109**	**$ 292,310**
Balance at March 31, 2023	**135,617,313**	**$ 208,594**	**$ 45,686**	**$ 14,432**	**$ 63,533**	**$ -**	**$ (319,995)**	**$ 96,597**	**$ 108,847**
Redemption of performance share units	53,213	43	-	(43)	-	-	-	-	-
Restricted share units and deferred share units previously reserved but not issued	-	-	-	(335)	-	-	-	-	(335)
Share-based compensation (options)	-	-	-	24	-	-	-	-	24
Share-based compensation (performance share units)	-	-	-	28	-	-	-	-	28
Share-based compensation (deferred share units)	-	-	-	5	-	-	-	-	5
Deferred tax liability recognition – share issuance costs	-	194	-	-	-	-	-	-	194
Net loss	-	-	-	-	-	-	(9,142)	-	(9,142)
Other comprehensive loss	-	-	-	-	-	-	-	(261)	(261)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(337)	(337)
Balance at June 30, 2023	**135,670,526**	**$ 208,831**	**$ 45,686**	**$ 14,111**	**$ 63,533**	**$ -**	**$ (329,137)**	**$ 95,999**	**$ 99,023**

1. DESCRIPTION OF BUSINESS

RIV Capital Inc. (the "Company" or "RIV Capital") is the direct parent company of RIV Capital US Corporation and RIV Capital Corporation ("RCC"), and exercises financial control over Etain, LLC ("Etain LLC"). RIV Capital is a publicly-traded corporation listed on the Canadian Securities Exchange under the trading symbol "RIV". RIV Capital is an investment and acquisition company specializing in cannabis. The Company aims to capitalize on the building momentum in the United States ("U.S.") cannabis market by acquiring, investing in, and developing operators and brands across financially and strategically attractive markets to create a multistate platform.

Prior to February 23, 2021, the Company (which was formerly known as "Canopy Rivers Inc.") was controlled by Canopy Growth Corporation ("CGC"). The Company operated as a venture capital firm specializing in cannabis, identifying strategic counterparties seeking financial and/or operational support, and aimed to provide investor returns through dividends, interest, lease, and royalty income, and capital appreciation. On February 23, 2021, the Company completed a plan of arrangement under the Business Corporations Act (Ontario) pursuant to which, among other things, the Company disposed of certain assets it held 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, and concurrently changed its name to "RIV Capital Inc."

On August 24, 2021, the Company closed the purchase by The Hawthorne Collective Inc. ("The Hawthorne Collective"), a cannabis-focused subsidiary of The Scotts Miracle-Gro Company ("ScottsMiracle-Gro"), of a $150,000 (C$188,475) unsecured convertible promissory note (the "Convertible Note I") issued by RIV Capital (the "Initial Hawthorne Investment"). The Initial Hawthorne Investment established RIV Capital as The Hawthorne Collective's preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro). Furthermore, in connection with the Etain Acquisition (as defined herein), on April 22, 2022, the Company closed the purchase by The Hawthorne Collective of a second unsecured convertible promissory note of the Company (the "Convertible Note II" and, together with the Convertible Note I, the "Convertible Notes") in the principal amount of $25,000 (C$31,272) (the "Second Hawthorne Investment" and, together with the Initial Hawthorne Investment, the "Hawthorne Investments") pursuant to rights existing under the Initial Hawthorne Investment.

On March 30, 2022, the Company announced definitive agreements (the "Etain Purchase Agreements") to acquire (the "Etain Acquisition") ownership of Etain IP LLC ("Etain IP") and control for financial reporting purposes of Etain LLC, owner and operator of legally-licensed cannabis cultivation and retail dispensaries in the state of New York (together, the "Etain Companies" or "Etain"), payable through a combination of cash and newly issued Common Shares. The acquisition of the Etain business was 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 initial closing of the Etain Acquisition, whereby the Company acquired 100% of the membership interests of Etain IP and obtained financial control of Etain LLC, occurred on April 22, 2022 (the "Initial Etain Closing"). Upon the Initial Etain Closing, approximately 80% of the total consideration payable pursuant to the Etain Acquisition was satisfied through a combination of cash and newly-issued Common Shares (as defined herein). On November 21, 2022, the New York State Cannabis Control Board (the "Cannabis Control Board") and the New York State Office of Cannabis Management ("OCM") approved Etain LLC's change of control request. Following the change of control approval, on December 15, 2022, the Company completed the final closing of the Etain Acquisition and satisfied the remaining purchase price through a combination of cash and newly-issued Common Shares (the "Second Etain Closing").

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim consolidated financial statements, including *International Accounting Standard ("IAS") 34, Interim Financial Reporting* ("IAS 34").

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on August 28, 2023.

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

(b) Basis of measurement

The Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments and biological assets that are measured at fair value as detailed in the Company's accounting policies.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 7, 8, 13, 15, and 24 for fair value considerations.

(c) Basis of preparation

The Interim Financial Statements were prepared in accordance with IAS 34 following the same accounting policies and methods of computation as were followed in the preparation of the audited annual consolidated financial statements as at and for the year ended March 31, 2023 (the "Annual Financial Statements").

The notes presented in the Interim Financial Statements include, in general, only significant changes and transactions occurring since March 31, 2023. As such, certain disclosures included in the Interim Financial Statements have been condensed or omitted. Accordingly, the Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

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

(d) Critical accounting judgements, estimates, and assumptions

The preparation of the Interim Financial Statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements, are consistent with those disclosed in the notes to the Annual Financial Statements, unless as otherwise noted herein.

(e) Basis of consolidation

The Interim Financial Statements represent accounts of the Company and its controlled subsidiaries. Non-controlling interests are included as a component of shareholders' equity. Control is achieved when the Company:

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

(Expressed in US$000's except share amounts)

As at June 30, 2023, the Company controlled for financial reporting purposes and consolidated the following active entities. As at June 30, 2023, the Company did not control any of its other investees.

Name of company	Place of incorporation / operation	Basic Ownership %	Functional currency
RIV Capital	Canada	n/a	Canadian dollar
RCC	Canada	100%	Canadian dollar
2683922 Ontario Inc.	Canada	100%	Canadian dollar
RIV Capital US Corporation(1)	U.S.	100%	U.S. dollar
RIV Capital US Holdings LLC	U.S.	100%	U.S. dollar
RIV Capital US Real Estate LLC	U.S.	100%	U.S. dollar
RIV Capital US Services LLC	U.S.	100%	U.S. dollar
Allgro Holdings LLC(2)	U.S.	0%	U.S. dollar
Etain LLC(3)	U.S.	0%	U.S. dollar

(1) RIV Capital US Corporation was formerly known as "Etain IP, LLC". The entity was converted to a corporation and effected a corporate name change during the fiscal year ended March 31, 2023.

(2) The Company, through its subsidiaries, has entered into a convertible promissory note agreement with Allgro Holdings LLC ("Allgro"), pursuant to which it is afforded substantive voting rights that enable it to exercise control over Allgro for financial reporting purposes.

(3) The Company, through its subsidiaries, has entered into a number of agreements with Etain LLC that provide support services to Etain LLC and 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.

3. CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these Interim Financial Statements are consistent with those applied in the Annual Financial Statements and have been applied across all periods presented in the Interim Financial Statements.

Accounting pronouncements adopted

Amendments to IAS 12, Deferred Taxes ("IAS 12")

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of certain recognition exceptions so that they no longer apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at that date. The amendment is effective for annual periods beginning on or after January 1, 2023. The Company's adoption of the IAS 12 amendment did not have a material impact on the Interim Financial Statements.

Certain other new accounting standards, amendments, and interpretations have been published that are effective in the current period and are either not applicable to the Company or have been assessed by the Company and do not have a material impact on results.

Accounting pronouncements not yet effective

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 Interim Financial Statements.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments address inconsistencies with how entities classify current and non-current liabilities. The amendments serve to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the statements of financial position. The amendments are effective on January 1, 2024. The Company is currently assessing the impact of the amendment.

(Expressed in US$000's except share amounts)

4. BUSINESS COMBINATION

Etain Companies

On April 22, 2022, the Company completed the Initial Etain Closing, as described in Note 1, whereby the Company acquired 100% of the membership interests of Etain IP and obtained financial control of Etain LLC, owner and operator of legally licensed cannabis cultivation and retail dispensaries in the state of New York. The Company obtained financial control over Etain LLC through a number of agreements that have been entered into between the Company's subsidiaries and Etain LLC. These agreements prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the future economic benefits that the Company expects to derive from its relationship with Etain LLC. Taken together, these agreements effectively devalue any future economic benefits that Etain LLC's members would have otherwise derived from their ownership interest in Etain LLC.

Upon the Initial Etain Closing, the Company paid cash consideration of $169,775 (subject to customary closing adjustments) and issued 21,092,335 Common Shares, together representing approximately 80% of the total consideration payable pursuant to the Etain Acquisition. Upon the Second Etain Closing on December 15, 2022, the Company paid additional cash consideration of $42,444 (subject to customary closing adjustments) and issued an additional 5,273,084 Common Shares, representing approximately 20% of the total consideration payable. In aggregate, as at March 31, 2023, after consideration of certain customary closing adjustments, the Company paid cash consideration (net of cash acquired) of $212,898 and issued 26,365,419 Common Shares in connection with the Etain Acquisition. The Company incurred transaction costs of $2,089 related to the Initial Etain Closing and Second Etain Closing over the years ended March 31, 2023, and 2022, in aggregate.

The fair values of the identifiable assets acquired and liabilities assumed as at the acquisition of control date of April 22, 2022, were as follows:

	Etain
IDENTIFIABLE ASSETS ACQUIRED	
Cash and cash equivalents	$ 339
Accounts receivable and other receivables	111
Inventory	6,948
Biological assets	236
Other current assets	81
Property, plant, and equipment	315
Intangible assets	105,784
Right-of-use assets	13,158
Deferred tax assets	186
Total assets acquired at fair value	**$ 127,158**
LIABILITIES ASSUMED	
Accounts payable and accrued liabilities	$ 1,040
Loyalty program liabilities	370
Lease liabilities	13,158
Deferred tax liabilities	22,187
Total liabilities acquired at fair value	**$ 36,755**
Goodwill	144,968
Total purchase price	**$ 235,371**

The goodwill recognized on acquisition was primarily attributable to the expected future growth potential of the Etain business following the anticipated implementation of adult-use cannabis regulations in New York and the Company's expectations regarding broader regulatory reform in the U.S. Please refer to the Annual Financial Statements for additional information on the Company's judgement regarding the deductibility of the amortization of goodwill for tax purposes.

(Expressed in US$000's except share amounts)

The total fair value of consideration payable pursuant to the Etain Acquisition as at the acquisition of control date was as follows:

	Total
Cash consideration	$ 169,775
Common Share consideration	21,345
Initial Etain Closing adjustments (1)	1,018
Deferred consideration(2)	
Cash	37,896
Common Shares	5,337
Total fair value of consideration	**$ 235,371**

(1) Initial Etain Closing adjustments related primarily to net working capital adjustments.
(2) In connection with the Second Etain Closing, the deferred consideration was settled on December 15, 2022.

Total consideration was allocated to the estimated fair values of the assets acquired and liabilities assumed as at the date of the acquisition of control, being April 22, 2022. These estimated fair values involve significant judgement and assumptions, as discussed in the Annual Financial Statements. Specifically, the estimated fair values of certain intangible assets acquired were based upon management's projections of cash flows expected to be derived from the use of these assets. Such cash flow projections reflect judgement regarding management's expectations of the impact of IRC Section 280E (as defined herein).

The deferred consideration payable was settled on December 15, 2022.

Throughout the year ended March 31, 2023, the purchase price allocation in respect of the Etain Acquisition remained provisional as the measurement period is generally one year from the acquisition date. During the year ended March 31, 2023, certain adjustments were made to preliminary values. As at March 31, 2023, the total fair value of consideration and the estimated fair values of the assets acquired and liabilities assumed reflected the Company's final valuation analysis.

5. CASH AND CASH EQUIVALENTS

As at June 30, 2023, the Company held $89,256 in interest-earning term deposits with a maturity of 90 days or less that can be withdrawn at any time without penalty (March 31, 2023 – $74,388).

During the three months ended June 30, 2023, the Company recognized an unrealized loss on foreign-denominated cash deposits of $3,503 (three months ended June 30, 2022 – unrealized gain of $6,935).

6. SHORT TERM INVESTMENTS

As at June 30, 2023, the Company held $nil in interest-earning investments with a maturity greater than three months (March 31, 2023 – $20,392).

(Expressed in US$000's except share amounts)

7. INVENTORY

Inventory consists of work-in-progress cannabis products (including wet and dried cannabis, trim, intermediate oils, and oil solutions) and finished goods. The carrying values of inventory as at June 30, 2023, and March 31, 2023, are summarized below.

	As at Jun. 30, 2023	As at Mar. 31, 2023
Work-in-progress		
Wet and dried cannabis and trim	$ 2,646	$ 2,360
Intermediate oils and oil solutions	4,159	3,457
Finished goods	2,683	3,126
Total cultivation and production inventory	**$ 9,488**	**$ 8,943**
Packaging and miscellaneous	327	411
Less: inventory reserve	(203)	(203)
Total inventory	**$ 9,612**	**$ 9,151**

8. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. The following table presents a summary continuity schedule for the Company's carrying value of biological assets.

	Three months ended Jun. 30, 2023	Year ended Mar. 31 2023
Biological assets – opening balance	**$ 274**	**$ -**
Acquired in business combination (Note 4)	-	236
Cost incurred prior to harvest to facilitate biological transformation (i.e. capitalized production costs)	948	2,658
Unrealized gain (loss) on fair value of biological assets	197	(46)
Transferred to inventory upon harvest	(994)	(2,574)
Biological assets – ending balance	**$ 425**	**$ 274**

The Company reports its biological assets at the end of each reporting period based upon the estimated fair value less costs to sell. This estimate is determined using a valuation model that considers a number of factors and assumptions, including, but not limited to, the estimated stages of growth of the cannabis plant up to the point of harvest, expected yields, harvesting costs, selling costs, and average expected selling prices.

The following estimated averages were used in the Company's valuation model for biological assets:

	As at Jun. 30, 2023	As at Mar. 31, 2023
Harvest yield of whole flower	83 grams / plant	73 grams / plant
Harvest yield of trim	23 grams / plant	10 grams / plant
Selling price of whole flower	$5.50 / gram	$5.50 / gram
Selling price of trim	$2.50 / gram	$2.50 / gram

The Company has quantified the sensitivity of the following valuation inputs to estimate the potential impact of changes on the consolidated statements of financial position as at June 30, 2023:

Assumption	Change	Impact
Harvest yield	- 5.0% / + 5.0%	$ (21) / $ 21
Selling price	- 5.0% / + 5.0%	$ (30) / $ 30

(Expressed in US$000's except share amounts)

9. OTHER RECEIVABLES

Other receivables are comprised of the following:

	As at Jun. 30, 2023	As at Mar. 31, 2023
Interest receivable on FVTPL financial assets[1]	$ 102	$ 168
Royalty receivable on FVTPL financial assets[1]	852	834
Other	58	280
Total other receivables	**$ 1,012**	**$ 1,282**

[1] Interest and royalty receivables presented net of provisions for expected credit losses.

10. PROPERTY, PLANT, AND EQUIPMENT

The following table presents summary continuity schedules for the Company's property and equipment.

	Leasehold improvements	Manufacturing equipment	Construction-in-progress	Right-of-use assets	Vehicles	Total
COST						
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ -**	**$ 563**	**$ -**	**$ 563**
Acquired in business combinations (Note 4)	-	261	-	13,158	54	13,473
Additions	3,035	1,431	85	389	1	4,941
Effects of foreign exchange ("FX")	-	-	-	(43)	-	(43)
Balance – Mar. 31, 2023	**$ 3,035**	**$ 1,692**	**$ 85**	**$ 14,067**	**$ 55**	**$ 18,934**
Additions	1,810	434	25	2,164	-	4,433
Effects of FX	-	-	-	12	-	12
Balance – Jun. 30, 2023	**$ 4,845**	**$ 2,126**	**$ 110**	**$ 16,243**	**$ 55**	**$ 23,379**
ACCUMULATED DEPRECIATION						
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ -**	**$ 362**	**$ -**	**$ 362**
Depreciation	-	62	-	1,588	36	1,686
Effects of FX	-	-	-	(28)	-	(28)
Balance – Mar. 31, 2023	**$ -**	**$ 62**	**$ -**	**$ 1,922**	**$ 36**	**$ 2,020**
Depreciation	14	31	-	467	7	519
Effects of FX	-	-	-	10	-	10
Balance – Jun. 30, 2023	**$ 14**	**$ 93**	**$ -**	**$ 2,399**	**$ 43**	**$ 2,549**
NET BOOK VALUE						
Mar. 31, 2023	**$ 3,035**	**$ 1,630**	**$ 85**	**$ 12,145**	**$ 19**	**$ 16,914**
Jun. 30, 2023	**4,831**	**2,033**	**110**	**13,844**	**12**	**20,830**

During the three months ended June 30, 2023, the Company capitalized depreciation and right-of-use asset amortization of $322 into inventory (three months ended June 30, 2022 – $211).

(Expressed in US$000's except share amounts)

11. INTANGIBLE ASSETS AND GOODWILL

The following tables present summary continuity schedules for the Company's intangible assets and goodwill.

	Cannabis license	Brands	Other	Total
COST				
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ 76**	**$ 76**
Acquired in business combinations (Note 4)	97,750	7,900	134	105,784
Additions	-	-	-	-
Effects of FX	-	-	(7)	(7)
Balance – Mar. 31, 2023	**$ 97,750**	**$ 7,900**	**$ 203**	**$ 105,853**
Additions	-	-	10	10
Effects of FX	-	-	2	2
Balance – Jun. 30, 2023	**$ 97,750**	**$ 7,900**	**$ 215**	**$ 105,865**
ACCUMULATED AMORTIZATION				
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ 26**	**$ 26**
Amortization	600	740	113	1,453
Effects of FX	-	-	(3)	(3)
Balance – Mar. 31, 2023	**$ 600**	**$ 740**	**$ 136**	**$ 1,476**
Amortization	100	197	30	327
Effects of FX	-	-	1	1
Balance – Jun. 30, 2023	**$ 700**	**$ 937**	**$ 167**	**$ 1,804**
NET BOOK VALUE				
Mar. 31, 2023	**$ 97,150**	**$ 7,160**	**$ 67**	**$ 104,377**
Jun. 30, 2023	**97,050**	**6,963**	**48**	**104,061**

During the three months ended June 30, 2023, the Company capitalized amortization of $96 into inventory (three months ended June 30, 2022 – $1,152). As permitted during the measurement period for a business combination, during the three months ended September 30, 2022, the Company refined the valuation of identifiable intangible assets acquired in the Etain Acquisition and updated the amortization method for the acquired cannabis license to more appropriately reflect the manner in which the cannabis license is projected to be utilized over its expected life. As a result, the inventoriable and non-inventoriable amortization recognized during the three months ended June 30, 2022, followed the initial amortization method, and was subsequently recovered to agree to the revised amortization method during the three months ended September 30, 2022.

	Three months ended Jun. 30, 2023	Year ended Mar. 31, 2023
Goodwill – opening balance	**$ 6,031**	**$ -**
Acquired in business combinations (Note 4)	-	144,968
Impairment of goodwill	-	(138,937)
Goodwill – ending balance	**$ 6,031**	**$ 6,031**

Indicator-based impairment testing

Goodwill is tested for impairment annually and when indicators are present that suggest the carrying amount may not be recoverable. As at June 30, 2023, the Company determined that no new indicators of impairment were present for its Etain CGU beyond those considered as at March 31, 2023, primarily due to the fact that the updated draft regulations that were released by the OCM and CCB on May 11, 2023, contained favorable revisions for Etain related to the anticipated timing of its entry into the adult-use retail market.

(Expressed in US$000's except share amounts)

12. ASSOCIATES

Associates are entities over which the Company exercises significant influence. The Company assesses each instrument underlying its investments in associates for appropriate accounting treatment, and only certain investments in associates are accounted for using the equity method. The following table presents changes in the Company's equity method investees.

	Greenhouse Juice	LeafLink Intl.	NOYA	Total[1]
Balance – Mar. 31, 2022	**$ 1,752**	**$ 1,680**	**$ 1,831**	**$ 5,263**
Share of loss	-	(49)	(988)	(1,037)
Dispositions	(1,696)	-	-	(1,696)
Impairment	-	-	(207)	(207)
Effects of FX	(56)	(128)	(144)	(328)
Balance – Mar. 31, 2023	**$ -**	**$ 1,503**	**$ 492**	**$ 1,995**
Share of loss	-	-	(159)	(159)
Effects of FX	-	33	11	44
Balance – Jun. 30, 2023	**$ -**	**$ 1,536**	**$ 344**	**$ 1,880**

(1) During the reporting periods outlined above, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was $nil at both the beginning and the end of the reporting periods.

Impairment of Associates

The Company assessed its investments in associates for indicators of impairment as at June 30, 2023, and, where indicators were present, conducted additional analysis to determine whether the carrying values of the relevant equity instruments were greater than the corresponding recoverable amounts. The Company considered external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

The Company concluded that no impairment charges were to be recognized for the three months ended June 30, 2023 (three months ended June 30, 2022 – $nil).

Significant Developments for the Three Months Ended June 30, 2023

There were no significant developments that occurred during the three months ended June 30, 2023, in the Company's investments in associates.

13. OTHER INVESTMENTS

The Company owns various financial assets in certain cannabis and cannabis-ancillary businesses that were primarily invested in by Canopy Rivers Inc. prior to the Company's shift in overall strategy referenced in Note 1. Additional details regarding these investments are available in the Company's historical public filings.

The Company applies *IFRS 9, Financial Instruments* ("IFRS 9") in accounting for its financial instruments. In accordance with IFRS 9, the Company has elected to measure certain investments in equity instruments at fair value through other comprehensive income ("FVTOCI") upon initial recognition as these investments were determined to be long-term and strategic in nature, and net changes in fair value were more suited to be presented in other comprehensive income. Financial assets for which the Company has not elected to measure at FVTOCI and that are not required to be measured at amortized cost are measured at fair value through profit or loss ("FVTPL"). Please refer to Note 24 for additional details on valuation methodologies and key inputs and assumptions for these financial assets.

(Expressed in US$000's except share amounts)

The following table presents changes in the Company's other investments, including financial assets measured at FVTPL and financial assets measured at FVTOCI:

	FVTPL					FVTOCI
	Equities	Convertible debentures	Royalty instruments	Warrants	Total FVTPL	Equities
Balance – Mar. 31, 2022	**$ 411**	**$ 3,793**	**$ 4,962**	**$ 152**	**$ 9,318**	**$ 19,855**
Net change in fair value	(234)	(339)	(1,496)	(142)	(2,211)	(3,242)
Conversions/dispositions	-	(2,564)	-	-	(2,564)	-
Effects of FX	(25)	(152)	(365)	(10)	(552)	(1,552)
Balance – Mar. 31, 2023	**$ 152**	**$ 738**	**$ 3,101**	**$ -**	**$ 3,991**	**$ 15,061**
Net change in fair value	(47)	-	-	-	(47)	(301)
Effects of FX	4	16	68	-	88	330
Balance – Jun. 30, 2023	**$ 109**	**$ 754**	**$ 3,169**	**$ -**	**$ 4,032**	**$ 15,090**

Significant Developments for the Three Months Ended June 30, 2023

Dynaleo

During the three months ended June 30, 2023, certain material changes to existing contracts with customers were effected such that Dynaleo became unable to meet its short term financial obligations required to continue operations. On May 23, 2023, Dynaleo filed a Notice of Intention for creditor protection pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada). Dynaleo intends to solicit investment for its business, or alternatively to liquidate its assets.

14. LEASE LIABILITY

The Company's lease liability as at June 30, 2023, related to the following leased properties:

- Cultivation and production facility in Chestertown, New York;
- Four operational retail dispensaries in New York;
- One commercial space in New York reserved for a potential retail relocation;
- Corporate head office in Toronto, Ontario; and
- Corporate head office in Armonk, New York.

The following table provides additional information relating to the Company's lease liability:

	Three months ended Jun. 30, 2023	Year ended Mar. 31, 2023
Lease liability – opening balance	**$ 12,955**	**$ 212**
Acquired in business combinations (Note 4)	-	13,158
Lease additions	2,052	-
Lease remeasurement	30	390
Lease payments	(579)	(2,010)
Interest expense on lease liability	365	1,220
Effects of FX	2	(15)
Lease liability – ending balance	**$ 14,825**	**$ 12,955**
Lease liability – current portion	$ 1,126	$ 1,056
Lease liability – non-current portion	13,699	11,899

(Expressed in US$000's except share amounts)

Minimum lease payments due on the Company's finance leases on a non-discounted basis are as follows:

	As at Jun. 30, 2023
No later than one year	$ 2,666
Later than one year; not later than five years	10,390
Later than five years	10,054
Total(1)	**$ 23,110**

(1) The minimum lease payments presented in the table above do not include any lease payments that the Company will make in respect of the Flagship Facility (as defined herein) as the recognition criteria for that finance lease had not been met as at June 30, 2023. Please refer to Note 17 for additional details on the Company's commitments related to the Flagship Facility.

On August 23, 2022, the Company entered into a lease agreement with Zephyr, a leading California-based developer, for the development and operation of a planned new flagship cannabis cultivation and manufacturing facility in Buffalo, New York (the "Flagship Facility"). Under the lease agreement, Zephyr will develop and lease to the Company two buildings totaling approximately 75,000 square feet. The Company will sublease the Flagship Facility to Etain LLC upon receipt of necessary regulatory approvals, and the lease is contingent on receipt of regulatory and other necessary approvals. The initial term of the lease is for 15 years and is expected to commence upon substantial completion of construction of the buildings. Upon commencement of the lease, the Company will recognize a right-of-use asset and lease liability measured in accordance with *IFRS 16, Leases*. Prior to the commencement of the lease, the Company is required to make installment payments totaling $4,484 (the "Tenant Cost Contributions") to assist in funding the construction of the Flagship Facility. As at June 30, 2023, the Company had made cumulative Tenant Cost Contributions of $1,488 (March 31, 2023 – $1,121), of which $367 were made during the three months ended June 30, 2023 (three months ended June 30, 2022 – not applicable). The Tenant Cost Contributions have been recorded within "Other long-term assets" on the consolidated statements of financial position and will be added to the right-of-use asset when recognized upon commencement of the lease.

15. CONVERTIBLE NOTES

Upon initial recognition, the embedded conversion features of the Convertible Notes were determined to meet the definition of a compound financial instrument. As such, on the dates of the respective issuances of the Convertible Notes, the Company estimated the fair value of the debt component of each Convertible Note, and the residual amounts were allocated to, and reported as, equity. To calculate the estimated fair value of the debt and equity components on the date of issuance, the Company used a FinCAD model, which is a widely accepted, commercially available analytic tool that applies the finite difference method of valuation. The fair values of the debt components of each Convertible Note were estimated based upon several key estimates and assumptions, and are accreted over the term to maturity using effective interest rates. Financing costs paid in connection with the Hawthorne Investments were capitalized to the respective debt and equity components based on the relative value of the debt and equity components of each Convertible Note.

(Expressed in US$000's except share amounts)

The following table presents a summary of key details regarding the Convertible Notes:

	Convertible Note I	Convertible Note II
Issue date	Aug. 24, 2021	Apr. 22, 2022
Maturity date[(1) (2)]	Aug. 24, 2027	Aug. 24, 2027
Principal amount	C$ 188,475	C$ 31,272
Conversion price	C$ 1.90	C$ 1.65
Coupon rate[(3)]	2.0% until Aug. 24, 2023; 0.0% thereafter	2.0% until Apr. 22, 2024; 0.0% thereafter
Gross proceeds received	$ 150,000	$ 25,000
Financing costs	$ 939	$ 112
Net proceeds received	$ 149,061	$ 24,888
Discount rate	16.8%	15.7%
Effective interest rate	13.2%	14.1%
Estimated fair value of debt component	$ 74,688	$ 12,889
Estimated fair value of equity component	$ 75,312	$ 12,111

(1) Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion upon the later of: (i) 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.

(2) Convertible Note II may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion following the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis.

(3) Accrued interest will be payable on the maturity date or will be included in the conversion value of the Convertible Notes at the time of conversion.

Conversion of the Convertible Notes is subject to the receipt of any required regulatory (including under the Competition Act (Canada) and/or the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976) and stock exchange approvals, and other conditions set out in the terms of the Convertible Notes. The Convertible Notes include certain restrictions relating to the permissible uses of the proceeds from the Hawthorne Investments as it relates to the Company's strategy of investing in, or acquiring, cannabis-related operating businesses in the U.S.

The following table presents summary continuity schedules for the Convertible Notes:

	Convertible Note I	Convertible Note II	Total
Balance – Mar. 31, 2022	**$ 80,388**	**$ -**	**$ 80,388**
Add: face value upon new issuance	-	25,000	25,000
Deduct: value allocated to conversion feature upon new issuance (excluding financing costs allocated to equity component)	-	(11,927)	(11,927)
Deduct: financing costs allocated to debt component upon new issuance	-	(58)	(58)
Add: accretion expense during the year	9,870	1,579	11,449
Effects of FX	(6,315)	(1,176)	(7,491)
Balance – Mar. 31, 2023	**$ 83,943**	**$ 13,418**	**$ 97,361**
Add: accretion expense during the period	2,691	460	3,151
Effects of FX	1,842	295	2,137
Balance – Jun. 30, 2023	**$ 88,476**	**$ 14,173**	**$ 102,649**

(Expressed in US$000's except share amounts)

16. SHARE CAPITAL

Authorized

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

Issued and outstanding

The following table presents a summary continuity schedule for the Company's issued and outstanding Common Shares:

	Number of Common Shares
Balance – March 31, 2023	**135,617,313**
Redemption of PSUs (as defined herein)	53,213
Balance – June 30, 2023	**135,670,526**

Share-based compensation

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

The Company also has a share unit plan for non-employee directors (the "Share Unit Plan"), which provides for the issuance of share units of varying characteristics to non-employee directors of the Company. Pursuant to the Share Unit Plan, the maximum number of Common Shares issuable from treasury pursuant to share units under the plan shall not exceed 1% of the issued and outstanding Common Shares.

The LTIP and Share Unit Plan are administered by the Board who establishes the number of securities to be awarded in any individual grant, prices for options (at not less than the market price at the date of the grant), and expiry dates. Options issued pursuant to the LTIP generally remain exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and generally have expiry dates five years from the date of grant. RSUs issued pursuant to the Share Unit Plan are generally automatically redeemable in increments, with one-third being automatically redeemed on each of the first, second, and third anniversaries from the date of grant. PSUs issued pursuant to the LTIP are generally redeemable in increments, with one-third being redeemable (at the holder's discretion) on each of the first, second, and third anniversaries from the date of grant, and generally have expiry dates five years from the date of grant. DSUs issued pursuant to the Share Unit Plan generally vest immediately and are redeemable upon the non-employee director's departure or separation from service with the Company.

On December 19, 2022, the Board passed a resolution whereby non-employee directors that previously received a portion of their annual remuneration in the form of RSUs will instead receive a portion of their annual remuneration in the form of DSUs for periods of service commencing January 1, 2023. DSUs will be granted pursuant to the Share Unit Plan previously approved by the Company's shareholders.

(Expressed in US$000's except share amounts)

The following table summarizes the Company's share-based compensation expense:

	Three months ended Jun. 30, 2023	**Three months ended Jun. 30, 2022**
Stock options	$ 24	$ 82
RSUs	-	131
PSUs	28	19
DSUs	5	-
Total share-based compensation	**$ 57**	**$ 232**

Stock options

The following table presents a summary of information related to outstanding and exercisable stock options:

	As at Jun. 30, 2023	**As at Mar. 31, 2023**
Outstanding stock options		
Number outstanding	2,241,500	5,664,834
Weighted average exercise price	C$ 2.04	C$ 2.95
Weighted average remaining life	2.4 years	1.0 years
Exercisable stock options		
Number outstanding	1,291,500	4,898,169
Weighted average exercise price	C$ 3.29	C$ 3.30
Weighted average remaining life	1.0 years	0.4 years

The following assumptions were used in determining the fair value of new stock option grants during the three months ended June 30, 2023, and 2022:

	Three months ended Jun. 30, 2023	**Three months ended Jun. 30, 2022**
Share price	C$0.12	C$0.68-C$1.47
Exercise price	C$0.12	C$0.68-C$1.47
Risk-free interest rate	4.3%	2.5% – 3.4%
Weighted average expected life (years)	2.5 – 3.5	3.0 – 4.0
Dividend yield	0%	0%
Expected annualized volatility	70%	65%
Expected forfeiture rate	0%	0%

The following table presents a summary continuity schedule for the Company's outstanding stock options:

	Number of options	**Weighted avg. exercise price**
Balance – Mar. 31, 2022	**8,603,001**	**C$ 2.76**
Granted	1,100,000	0.97
Exercised	-	-
Forfeited	(530,501)	2.12
Expired	(3,507,664)	1.99
Balance – Mar. 31, 2023	**5,664,834**	**C$ 2.95**
Granted	450,000	0.12
Exercised	-	-
Forfeited	-	-
Expired	(3,873,334)	3.15
Balance – Jun. 30, 2023	**2,241,500**	**C$ 2.04**

(Expressed in US$000's except share amounts)

RSUs

The following table presents a summary continuity schedule for the Company's outstanding RSUs:

	Number of RSUs	Weighted avg. grant value
Balance – Mar. 31, 2022	**381,697**	**C$ 1.45**
Granted	399,448	0.42
Redeemed	(219,245)	1.24
Forfeited	-	-
Balance – Mar. 31, 2023	**561,900**	**C$ 0.80**
Granted	131,127	0.13
Redeemed	-	-
Forfeited	-	-
Balance – Jun. 30, 2023	**693,027**	**C$ 0.67**

On March 30, 2023, the Board passed a resolution to defer the anticipated March 31, 2023, RSU grant related to the non-employee directors' service period of April 1, 2022, to December 31, 2022. During this nine-month period, the Company had recognized share-based compensation expense of $253 related to this anticipated RSU grant. On May 15, 2023, the Board passed a resolution granting an aggregate 131,127 RSUs with a grant date value of $15 to non-employee directors for the service period of April 1, 2022, to December 31, 2022. The difference between the grant date value of this RSU grant and the share-based compensation expense previously recognized by the Company for this service period will be settled in cash.

PSUs

The following table presents a summary continuity schedule for the Company's outstanding PSUs:

	Number of PSUs	Weighted avg. grant value
Balance – Mar. 31, 2022	**1,191,330**	**C$ 1.08**
Granted	333,000	0.45
Performance factor adjustment	249,691	1.00
Redeemed	(173,580)	1.17
Forfeited	(49,786)	1.31
Balance – Mar. 31, 2023	**1,550,655**	**C$ 0.93**
Granted	-	-
Performance factor adjustment	-	-
Redeemed	(53,213)	1.22
Forfeited	-	-
Balance – Jun. 30, 2023	**1,497,442**	**C$ 0.92**

DSUs

The following table presents a summary continuity schedule for the Company's outstanding DSUs:

	Number of DSUs	Weighted avg. grant value
Balance – Mar. 31, 2023	**-**	**C$ -**
Granted	109,270	0.13
Redeemed	-	-
Forfeited	-	-
Balance – Jun. 30, 2023	**109,270**	**C$ 0.13**

(Expressed in US$000's except share amounts)

On March 30, 2023, the Board passed a resolution to defer the anticipated March 31, 2023, DSU grant related to the non-employee directors' service period of January 1, 2023, to March 31, 2023. During this three-month period, the Company had recognized share-based compensation expense of $104 related to this anticipated DSU grant. On May 15, 2023, the Board passed a resolution granting an aggregate 54,635 DSUs with a grant date value of $5 to non-employee directors for the service period of January 1, 2023, to March 31, 2023. The difference between the grant date value of this DSU grant and the share-based compensation expense previously recognized by the Company for this service period will be settled in cash.

17. COMMITMENTS AND CONTINGENCIES

Financial obligations

As at June 30, 2023, the Company had the following obligations on an undiscounted basis:

	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Accounts payable and accrued liabilities	$ 4,207	$ 4,207	$ -	$ -	$ -
Lease liability(1)	23,110	2,666	5,550	4,840	10,054
Tenant Cost Contributions(2)	2,996	2,996	-	-	-
Convertible Notes(3)	172,523	-	-	172,523	-
Total financial obligations	**$ 202,836**	**$ 9,869**	**$ 5,550**	**$ 177,363**	**$ 10,054**

(1) Based on minimum lease payments related to the Company's cultivation and production facility in Chestertown, New York; four retail dispensaries in New York; one commercial space for a potential retail relocation in New York; and corporate offices in Toronto, Ontario, and Armonk, New York. Please see Note 14 for additional details.
(2) Based on contractual capital contributions for the Flagship Facility. Please see Note 14 for additional details.
(3) Assumes the principal balance as at June 30, 2023, remains outstanding at the maturity date. Includes the estimated accrued and unpaid interest over the life of the Convertible Notes. As the Convertible Notes are denominated in Canadian dollars, the borrower's functional currency, the commitment has been translated into the Company's presentation currency as at June 30, 2023. Please see Note 15 for additional details.

Commitments

Pursuant to the terms of the Company's lease agreement for its cultivation and production facility in Chestertown, New York, the Company has committed to fund certain construction costs related to the facility expansion project (the "Chestertown Expansion"), which was substantially completed during the three months ended June 30, 2023. As at June 30, 2023, the Company had made cumulative payments related to this commitment of $3,615 (March 31, 2023 – $3,035), of which $580 were made during the three months ended June 30, 2023 (three months ended June 30, 2022 – $nil). These leasehold improvements (which include additional amounts that had not yet been paid as at June 30, 2023) are recognized within property, plant, and equipment on the consolidated statements of financial position. As at June 30, 2023, the Company estimated the remaining construction costs related to the Chestertown Expansion for which it will be responsible will be in the range of $1,250 to $1,750 and will be payable within the next twelve months. This estimate excludes any costs associated with new equipment for the expanded facility.

18. REVENUE

The following table presents a summary of the Company's disaggregated net revenue, by source:

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2022
Cannabis retail revenue	$ 1,646	$ 1,233
Cannabis wholesale revenue	216	157
Non-medicated retail revenue	39	38
Excise taxes	(115)	(87)
Total revenue, net	**$ 1,786**	**$ 1,341**

(Expressed in US$000's except share amounts)

19. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The following table presents a summary of the key components of selling, general, and administrative expenses:

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2022
Personnel costs (excluding share-based compensation)	$ 2,259	$ 1,382
Legal expenses and consulting fees (excluding transaction and restructuring)	721	815
Insurance premiums	655	547
Non-inventoriable depreciation and amortization of fixed assets and intangible assets	234	583
Director fees (excluding share-based compensation)	226	57
Non-inventoriable right-of-use asset amortization	194	123
Severance expense	185	295
Selling and marketing expenses	101	66
Non-inventoriable lease expenses	94	95
Audit-related fees	85	284
Investor relations and other public company expenses	81	238
Share-based compensation	57	232
Transaction and restructuring expenses	-	485
Other	414	327
Total selling, general, and administrative expenses	**$ 5,306**	**$ 5,529**

20. INCOME TAXES

The following table presents a summary of the Company's income tax expense (recovery):

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2022
Current income tax expense (recovery)	$ (73)	$ 926
Deferred income tax expense (recovery)	13	(302)
Income tax expense (recovery)	**$ (60)**	**$ 624**

During the three months ended June 30, 2023, the Company recognized $nil current income tax directly within other comprehensive income (three months ended June 30, 2022 – $nil). During the three months ended June 30, 2023, the Company recognized deferred income tax recovery of $40 directly within other comprehensive income (three months ended June 30, 2022 – deferred income tax expense of $72).

During the three months ended June 30, 2023, certain of the Company's U.S. subsidiaries made income tax-related payments of $130 (three months ended June 30, 2022 – $nil). The Company expects to continue to make income tax-related payments for the current fiscal year for certain of its U.S. subsidiaries. The Company has not made any income tax installment payments relating to the current fiscal year for its Canadian subsidiaries as the Company expects to be in a net tax recovery position for the fiscal year.

Certain entities over which the Company exercises financial control operate in the cannabis industry and are subject to Section 280E of the U.S. Internal Revenue Code of 1986 ("IRC Section 280E") for U.S. federal income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. For U.S. entities, expenses and items that are not deductible in determining taxable income primarily relate to general and administrative expenses, dispensary expenses, and other selling expenses that are denied for U.S. federal purposes under IRC Section 280E.

(Expressed in US$000's except share amounts)

21. EARNINGS PER SHARE

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

	Three months ended June 30, 2023			Three months ended June 30, 2022		
	Net loss	**Weighted avg. # of shares**	**EPS**	**Net loss**	**Weighted avg. # of shares**	**EPS**
Basic	$ (9,142)	135,662,428	$ (0.07)	$ (3,474)	162,765,523	$ (0.02)
Dilutive securities		-			-	
Diluted	$ (9,142)	135,662,428	$ (0.07)	$ (3,474)	162,765,523	$ (0.02)

22. SUPPLEMENTAL CASH FLOW INFORMATION

The following table presents a summary of the cash flow impact of changes in the Company's net working capital:

	Three months ended Jun. 30, 2023	**Three months ended Jun. 30, 2022**
Change in accounts receivable	$ 1	$ (5)
Change in inventory	(42)	165
Change in biological assets	46	12
Change in other receivables	270	(13)
Change in prepaid expenses and deposits	615	547
Change in other current assets	14	(3)
Change in accounts payable and accrued liabilities	(2,760)	(1,445)
Change in deferred revenue	1	10
Net impact of changes in working capital	**$ (1,855)**	**$ (732)**

During the three months ended June 30, 2023, the Company made income tax payments of $130 (three months ended June 30, 2022 – $nil). The Company did not make any payments of cash interest during the three months ended June 30, 2023 (three months ended June 30, 2022 – $nil).

23. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board. Together, these individuals controlled approximately 1.3% of the Common Shares of the Company on a fully diluted basis as at June 30, 2023.

(Expressed in US$000's except share amounts)

The following table presents a summary of compensation provided to key management personnel:

	Three months ended Jun. 30, 2023	Three months ended Jun. 30, 2022
Executive management		
Salaries and accrued bonuses	$ 507	$ 435
Share-based compensation	24	80
Board		
Director fees(1)	$ 221	$ 57
Special committee fees	5	-
Share-based compensation	5	132

(1) Director fees indicated above represent the cash portion of total director compensation (excluding special committee fees, which are paid in cash and presented separately), with the remainder presented in share-based compensation.

Transactions with The Hawthorne Collective

The accrued and unpaid interest under the Convertible Notes is subject to Income Tax Act non-resident thin capitalization tax. Accordingly, as at June 30, 2023, the Company had recognized an accrued liability of $82 for the anticipated withholding tax that will be payable to the Canada Revenue Agency in respect of accrued and unpaid interest on the Convertible Notes following its next fiscal year end (March 31, 2023 – $533). Pursuant to the Convertible Note I and Convertible Note II agreements, The Hawthorne Collective and the Company have agreed to share this liability equally. As such, as at June 30, 2023, the Company had recognized a related party receivable from The Hawthorne Collective of $40 (March 31, 2023 – $265). Please refer to Note 15 for further details regarding the Hawthorne Investments.

During the three months ended June 30, 2023, the Company purchased cultivation materials and equipment for $39 from Hawthorne Hydroponics, an affiliate of The Hawthorne Collective, for its Chestertown cultivation and production facility (three months ended June 30, 2022 – $nil). These purchases were made on market terms. The Company anticipates making additional cultivation materials and facility equipment purchases from affiliates of The Hawthorne Collective as part of its ongoing operation and development of the Chestertown facility and the Flagship Facility. The Company expects any such additional purchases to be made on market terms.

Transactions with KDBF Ventures, LLC ("KDBF")

During the three months ended June 30, 2023, the Company recognized lease payments of $893 to KDBF, the owner of the Chestertown facility and two of Etain's retail dispensaries in New York. The lease agreements between the Company and KDBF were negotiated at market terms.

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Liquidity risk

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

The Company's financial liabilities are comprised of accounts payable and accrued liabilities, and the Convertible Notes with The Hawthorne Collective discussed in Note 15. As at June 30, 2023, the contractual maturities for the Company's accounts payable were generally within six months. The Convertible Notes' principal and interest are due at maturity, being August 24, 2027, unless conversion has occurred.

Please refer to Note 17 for additional information on commitments.

Credit risk

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

(Expressed in US$000's except share amounts)

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

The following tables present summary continuity schedules for the Company's provision for ECLs:

	Three months ended Jun. 30, 2023	**Three months ended Jun. 30, 2022**
Interest and royalty receivable ECL – opening balance	**$ 956**	**$ 682**
Change in provision	-	53
Write-offs charged against provision	-	-
Effects of FX	20	(21)
Interest and royalty receivable ECL – ending balance	**$ 976**	**$ 714**

Fair values

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

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

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

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

The Company's financial liabilities consist of the Convertible Notes, which are carried at amortized cost.

(Expressed in US$000's except share amounts)

The following tables provide information about how the fair values of the Company's other financial instruments were determined as at June 30, 2023:

Financial assets at FVTPL				
Instruments	**Fair value as at Jun. 30, 2023**	**Entity and financial asset**	**Fair value hierarchy and valuation technique**	**Key inputs**
Equities	$ 109	RAMM Pharma common shares	**(Level 1):** Quoted share price	• Not applicable
Convertible debentures	$ 754	NOYA convertible debenture	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from settlement of the debenture, with consideration given to underlying security and collateral	*Key observable inputs:* • Principal amount advanced (C$1,000) • Interest rate (12%) *Key unobservable inputs:* • Value of underlying security
Royalty instruments	$ 3,169	Agripharm royalty interest	**(Level 3):** Cost approach – adjusted book value: based upon the estimated recoverability values of Agripharm's assets in an orderly liquidation	*Key observable inputs:* • Carrying values from Agripharm's unaudited statement of financial position (various) *Key unobservable inputs:* • Recoverability percentages applied to the carrying values of each class of Agripharm's assets (various)
		NOYA royalty interest	**(Level 3):** Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • Per gram royalty • Minimum annual payment (C$900) *Key unobservable inputs:* • Cannabis production (various) • Discount rate (45%)
Total FVTPL	**$ 4,032**			

(1) As at June 30, 2023, the Company also owned other financial assets that are not included in the table above as the fair values of these investments were estimated to be $nil at the end of the reporting period.

(Expressed in US$000's except share amounts)

Financial assets at FVTOCI				
Instruments	**Fair value as at Jun. 30, 2023**	**Entity and financial asset**	**Fair value hierarchy and valuation technique**	**Key inputs**
Equities	$ 15,090	BioLumic preferred shares	**(Level 3):** Market approach – most recent financing: based upon per share valuation implied by BioLumic's June 2022 equity financing, adjusted for FX gains/losses	*Key observable inputs:* • Financing price ($7.49) • FX rate (1.32) *Key unobservable inputs:* • Share price ($7.49)
		Headset preferred shares	**(Level 3):** Market approach – comparable public companies: based on market multiples for publicly-traded vertical software-as-a-service companies applied to measures of Headset's historical and projected revenue, adjusted for FX gains/losses	*Key observable inputs:* • Historical revenue *Key unobservable inputs:* • Projected revenue • Revenue multiples (3.00x to 4.75x)
		ZeaKal preferred shares	**(Level 3):** Market approach – secondary sale: based upon per share valuation implied by a secondary sale involving ZeaKal shares, adjusted for broader sector performance in subsequent period; corroborated by:	*Key observable inputs:* • Secondary sale price *Key unobservable inputs:* • Market adjustment factor
			(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	*Key observable inputs:* • n/a *Key unobservable inputs:* • Projected cash flows • Discount rate (21.0%)
Total FVTOCI	**$ 15,090**			

(1) As at June 30, 2023, the Company also owned other financial assets that are not included in the table above as the fair values of these investments were estimated to be $nil at the end of the reporting period.

As at June 30, 2023, the total fair values by fair value hierarchy level were as follows:

Financial assets

- Level 1: $109 (March 31, 2023 – $152)
- Level 2: $nil (March 31, 2023 – $nil)
- Level 3: $19,013 (March 31, 2023 – $18,900)

No transfers between fair value levels occurred during the three months ended June 30, 2023.

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

- Income approach (Level 3) – Discounted cash flows are used to capture the present value of the expected future economic benefits to be derived from certain investments in the Company's portfolio, with consideration of the following inputs:
  - Cannabis production: An increase in this input would result in an increase in fair value.
  - Projected entity-level net cash flows: An increase in this input would result in an increase in fair value.
  - Discount rate: An increase in this input would result in a decrease in fair value.

(Expressed in US$000's except share amounts)

- Cost approach (Level 3) – A range of recoverability estimates, expressed as a percentage of carrying value, is applied to the carrying values of assets and liabilities to estimate an entity's adjusted book value, with consideration of the following inputs:
  - Recoverability percentages: An increase in the recoverability percentage of a company's assets would result in an increase in fair value, and an increase in the recoverability percentage of the Company's liabilities would result in a decrease in fair value.

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

Investee	Instrument	Input	Assumption	Change	Impact
Agripharm	Royalty interest	Recoverability percentage	Various	- 10.0% (abs)	$ (679)
BioLumic	Preferred shares	Share price	$7.49	- 10.0%	$ (302)
Headset	Preferred shares	Revenue multiples	3.00x to 4.75x	- 1.0 x	$ (301)
NOYA	Royalty interest	Discount rate	45%	+ 2.5% (abs)	$ (76)
ZeaKal	Preferred shares	Share price	$40.25	- 10.0%	$ (981)

Foreign currency

Foreign currency risk is the risk that a variation in exchange rates between the U.S. dollar and Canadian dollar, or other foreign currencies, will affect the Company's operations and financial results. The presentation currency of the Company is the U.S. dollar. The functional currencies of the Company and its subsidiaries are listed in Note 2(e). The Company and certain subsidiaries hold cash and cash equivalents and incur operating expenses in currencies other than their functional currency. While the Convertible Notes with The Hawthorne Collective are denominated in Canadian dollars, the proceeds were received by the Company in U.S. dollars, and the Company can repay the Convertible Notes upon maturity in U.S. dollars.

The Company does not currently engage in currency hedging activities to limit the risks of currency fluctuations. Consequently, fluctuations in the U.S. dollar/Canadian dollar exchange rate could have a negative impact on the Company's financial results. A 1.0% increase in the value of the U.S. dollar compared to the Canadian dollar would result in an unrealized foreign exchange gain of $779. A 1.0% decrease in the value of the U.S. dollar compared to the Canadian dollar would result in an unrealized foreign exchange loss of $779. Other than foreign-denominated cash, each of the Company's consolidated subsidiaries does not hold significant monetary assets or liabilities in currencies other than its respective functional currency.

25. SUBSEQUENT EVENTS

On July 19, 2023, the OCM recommended and the CCB approved proposed amendments to align the adopted medical regulations with the proposed adult-use regulations. These amended medical regulations remain in draft form and are subject to a 60-day public comment period, which ends 60 days from the date the amended regulations are published in the State Register.

On August 1, 2023, the Company announced that Etain had received regulatory approval from the OCM for the Flagship Facility.

On August 15, 2023, the Company filed a Notice of Change in Year End to change its fiscal year end from March 31 to December 31. As a result, the Company's fiscal year ending December 31, 2023, will be comprised of three quarters for a total of nine months, beginning on April 1, 2023. Further details regarding the change in fiscal year end, including the length and ending dates of the Company's financial reporting periods, are available in the Company's Notice of Change in Year End prepared in accordance with Section 4.8 of National Instrument 48-102 and filed on the Company's SEDAR+ profile at www.sedarplus.ca.