RIV CAPITAL INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2023, AND YEAR ENDED MARCH 31, 2023

(In United States Dollars)

RIV CAPITAL INC.

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Independent Auditor's Report

To the Shareholders of RIV Capital Inc.:

Opinion

We have audited the consolidated financial statements of RIV Capital Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and March 31, 2023, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the nine months ended December 31, 2023 and year ended March 31, 2023, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the nine months ended December 31, 2023 and year ended March 31, 2023 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment Analysis of Goodwill and Long-Lived Assets

Key Audit Matter Description

As described in Note 12 to the consolidated financial statements, the Company recorded goodwill of approximately $145 million and intangible assets of approximately $106 million from the acquisition of Etain. During the year ended March 31, 2023, the goodwill was impaired by approximately $139 million. During the nine months ended December 31, 2023, the goodwill was further impaired by approximately $6 million and intangible assets including cannabis license rights and brands were impaired by approximately $43 million. The Company conducts an impairment test annually during the final quarter, or whenever certain events or changes in circumstances indicate that the carrying value may be greater than the recoverable amount. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (a cash generating unit ("CGU")). Management uses the greater of fair value less costs of disposal method and value in use to determine the recoverable amount for all its CGUs. The grouping of CGUs is described in Note 3 to the consolidated financial statements.

We considered this to be a key audit matter due to the significant judgment made by management in estimating the recoverable amount for goodwill and long-lived assets and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates.

Audit Response

We responded to this matter by performing procedures over the impairment analysis of goodwill and long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Performed testing on management's indicators of impairment memo.
- Evaluated the appropriateness of the discounted cash flow model by testing the completeness, accuracy, and relevance of underlying data used in the cash flow model.
- Obtained an understanding of management's internal control process as it relates to the determination of key inputs and assumptions.
- Evaluated management's assumptions related to revenue growth rates, ratio of expenses to revenue and capital expenditures by considering (i) the current and past performance of the CGU, (ii) available industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Additionally, we evaluated management's ability to accurately forecast via comparing their prior measurement date forecasts to actual results in the current year.
- With the assistance of internal valuation specialists, evaluated the accuracy and reasonableness of the Company's impairment model, including:
  - Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data; and
  - Performing a sensitivity analysis by developing a range of independent estimates of weighted average cost of capital.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 29, 2024 — Licensed Public Accountants

RIV CAPITAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US $000's)	Notes		As at December 31, 2023		As at March 31, 2023
Assets					
Current assets					
Cash and cash equivalents	6	$	81,887	$	77,468
Short term investments	7		-		20,392
Accounts receivable			87		94
Inventory	8		10,408		9,151
Biological assets	9		750		274
Income tax receivable	23		3,681		1,095
Other receivables	10,28		216		1,282
Prepaid expenses and deposits			1,212		2,131
Other current assets			5		19
			98,246		**111,906**
Right-of-use assets, net	11		13,277		12,145
Property, plant, and equipment, net	11		10,820		4,769
Intangible assets, net	12		80,142		104,377
Goodwill	12		-		6,031
Associates	13		-		1,995
Other investments	14		13,505		19,052
Other long-term assets	15		3,033		1,317
Deferred tax assets			54		226
			120,831		**149,912**
Total assets		**$**	**219,077**	**$**	**261,818**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	19	$	8,528	$	5,203
Income tax payable	23		-		230
Deferred revenue			-		339
Lease liability - current	15		1,320		1,056
Short term provision liability	16		9,755		-
			19,603		**6,828**
Lease liability - non-current	15		13,380		11,899
Deferred tax liabilities	23		25,219		36,883
Long term provision liability	16		9,148		-
Convertible notes	17		109,324		97,361
Other long-term liabilities			282		-
			157,353		**146,143**
Total liabilities			**176,956**		**152,971**
Shareholders' equity					
Share capital	18		209,038		208,594
Contributed surplus			45,686		45,686
Reserves			77,523		77,965
Accumulated other comprehensive income			93,713		96,597
Deficit			(383,839)		(319,995)
Total shareholders' equity			**42,121**		**108,847**
Total liabilities and shareholders' equity		**$**	**219,077**	**$**	**261,818**

Commitments and contingencies (Note 19)

Subsequent events (Note 29)

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

RIV CAPITAL INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in US $000's, except for per share amounts)	Notes	Nine months ended December 31, 2023	Year ended March 31, 2023
		Note 2(d)	Note 2(d)
Revenue			
Revenue	20	$ 5,876	$ 7,250
Excise taxes		(328)	(443)
Total revenue, net		**5,548**	**6,807**
Cost of goods sold			
Cost of goods sold	8	4,984	4,372
Gross profit excluding fair value items		**564**	**2,435**
Unrealized loss on changes in fair value of biological assets	9	(739)	(31)
Realized fair value amounts included in inventory sold		45	2
Gross profit (loss)		**(130)**	**2,406**
Operating expenses			
Selling, general, and administrative expenses	21	15,634	20,502
Impairment of goodwill and intangible assets	12	48,650	138,937
Operating loss		**(64,414)**	**(157,033)**
Other income (loss)			
Litigation settlement expense	22	-	(16,014)
Share of loss from associates	13	(172)	(1,037)
Impairment of associates	13	(1,859)	(207)
Net change in fair value of financial assets at fair value through profit or loss	14	(2,063)	(2,211)
Accretion and interest expense	15,16,17	(10,914)	(17,222)
Foreign exchange gain (loss)		(1,382)	10,004
Other income, net	6, 10	1,532	1,545
Loss before taxes		**(79,272)**	**(182,175)**
Income tax recovery	23	(15,428)	(2,916)
Net loss		**$ (63,844)**	**$ (179,259)**
Other comprehensive 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 $394 (2023 - $(429))	14	(2,286)	(2,813)
Other comprehensive loss subsequently reclassified to net loss			
Foreign currency translation adjustment		(598)	(5,248)
Total comprehensive loss		**$ (66,728)**	**$ (187,320)**
Net loss per share - basic	24	**$ (0.47)**	**$ (1.09)**
Net loss per share - diluted	24	**$ (0.47)**	**$ (1.09)**

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

RIV CAPITAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US $000's)	Notes		Nine months ended December 31, 2023		Year ended March 31, 2023
			Note 2(d)		Note 2(d)
Cash flows used in operating activities					
Net loss		$	(63,844)	$	(179,259)
Adjustments for non-cash items:					
Unrealized loss on changes in fair value of biological assets	9		739		31
Realized fair value amounts included in inventory sold			(45)		(2)
Share-based compensation expense	18, 21		172		524
Depreciation and amortization	21		1,319		1,515
Impairment of goodwill and intangible assets	12		48,650		138,937
Change in provision for credit losses	28		1,098		328
Inventory write-down	8		524		-
Share of loss from associates	13		172		1,037
Impairment of associates	13		1,859		207
Net change in fair value of financial assets at fair value through profit or loss	14		2,063		2,211
Accretion and interest expense	15,16,17		10,914		17,222
Foreign exchange (gain) loss			1,382		(10,004)
Deferred income tax recovery	23		(12,152)		(2,803)
Changes in working capital	25		(5,058)		(1,240)
Net cash used in operating activities before income taxes			(12,207)		(31,296)
Income taxes received	23		647		7,938
Net cash used in operating activities		**$**	**(11,560)**	**$**	**(23,358)**
Cash flows provided by (used in) investing activities					
Investment in short term investments	7		-		(20,392)
Disposition of short term investments	7		20,392		-
Purchase of property, plant, and equipment	11		(2,841)		(4,552)
Purchase of intangible assets	12		(515)		-
Disposition of associates	13		-		1,696
Disposition of other financial assets	14		1,974		2,564
Investments in other long-term assets	15		(1,603)		(1,317)
Cash consideration paid in business acquisitions, net of cash acquired	5		-		(212,898)
Net cash provided by (used in) investing activities		**$**	**17,407**	**$**	**(234,899)**
Cash flows provided by (used in) financing activities					
Shares repurchased and cancelled pursuant to settlement agreement	22		-		(3,986)
Proceeds from issuance of convertible notes, net of financing costs	17		-		24,888
Payment of lease principal	15		(1,831)		(2,010)
Net cash provided by (used in) financing activities		**$**	**(1,831)**	**$**	**18,892**
Net increase (decrease) in cash		$	4,016	$	(239,365)
Effect of foreign exchange rate movements on cash held			403		(1,873)
Cash, beginning of period			77,468		318,706
Cash, end of period		**$**	**81,887**	**$**	**77,468**

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

RIV CAPITAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US $000's, except for share amounts)	Number of Class A Common Shares	Share capital	Contributed surplus	Reserves: Share-based compensation	Reserves: Convertible notes	Reserves: Common Shares to be issued	Deficit	Accumulated other comprehensive income	Shareholders' equity
Balance at March 31, 2022	**142,592,403**	**$ 186,085**	**$ 45,686**	**$ 14,237**	**$ 54,784**	**$ -**	**$ (140,736)**	**$ 104,658**	**$ 264,714**
Issuance of Class A Common Shares pursuant to business combinations	26,365,419	26,341	-	-	-	(5,337)	-	-	21,004
Shares repurchased and cancelled pursuant to settlement agreement	(33,733,334)	(3,986)	-	-	-	-	-	-	(3,986)
Redemption of restricted share units	219,245	202	-	(202)	-	-	-	-	-
Redemption of performance share units	173,580	127	-	(127)	-	-	-	-	-
Share-based compensation (options)	-	-	-	(134)	-	-	-	-	(134)
Share-based compensation (restricted share units)	-	-	-	380	-	-	-	-	380
Share-based compensation (performance share units)	-	-	-	174	-	-	-	-	174
Share-based compensation (deferred share units)	-	-	-	104	-	-	-	-	104
Equity component of convertible note, net of tax	-	-	-	-	8,749	-	-	-	8,749
Change in deferred taxes – share issuance costs	-	(175)	-	-	-	-	-	-	(175)
Deferred share consideration pursuant to business combinations	-	-	-	-	-	5,337	-	-	5,337
Net loss	-	-	-	-	-	-	(179,259)	-	(179,259)
Other comprehensive income	-	-	-	-	-	-	-	(2,813)	(2,813)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(5,248)	(5,248)
Balance at March 31, 2023	**135,617,313**	**$ 208,594**	**$ 45,686**	**$ 14,432**	**$ 63,533**	**$ -**	**$ (319,995)**	**$ 96,597**	**$ 108,847**
Balance at March 31, 2023	**135,617,313**	**$ 208,594**	**$ 45,686**	**$ 14,432**	**$ 63,533**	**$ -**	**$ (319,995)**	**$ 96,597**	**$ 108,847**
Redemption of restricted share units	142,778	46	-	(46)	-	-	-	-	-
Redemption of performance share units	410,547	204	-	(204)	-	-	-	-	-
Restricted share units and deferred share units previously reserved but not issued	-	-	-	(335)	-	-	-	-	(335)
Share-based compensation (options)	-	-	-	62	-	-	-	-	62
Share-based compensation (performance share units)	-	-	-	65	-	-	-	-	65
Share-based compensation (deferred share units)	-	-	-	16	-	-	-	-	16
Change in deferred taxes – share issuance costs	-	194	-	-	-	-	-	-	194
Net loss	-	-	-	-	-	-	(63,844)	-	(63,844)
Other comprehensive loss	-	-	-	-	-	-	-	(2,286)	(2,286)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(598)	(598)
Balance at December 31, 2023	**136,170,638**	**$ 209,038**	**$ 45,686**	**$ 13,990**	**$ 63,533**	**$ -**	**$ (383,839)**	**$ 93,713**	**$ 42,121**

1. DESCRIPTION OF BUSINESS

RIV Capital Inc. (the "Company" or "RIV Capital") is the direct parent company of RIV Capital US Corporation and, as at December 31, 2023, 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". The Company is an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of cannabis brands in key strategic U.S. markets. Backed by in-house expertise and cannabis domain knowledge, RIV Capital aims to grow its own brands and partner with established U.S. cannabis operators and brands to bring them to new markets and build market share.

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. Please refer to Note 17 for additional information on the Hawthorne Investments.

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

The consolidated financial statements were authorized for issue by the Company's Board of Directors (the "Board") on April 29, 2024.

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 consolidated 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 9, 13, 14, 17, and 28 for fair value considerations.

(c) Basis of preparation

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

(d) Change of fiscal year-end

Effective August 15, 2023, the Board approved a change in the Company's fiscal year-end from March 31 to December 31, effective as of December 31, 2023. The change in fiscal year-end from March 31 to December 31 was made to align the Company's financial statement and continuous disclosure requirements with the majority of its industry peers, which operate on a calendar fiscal year-end. As a result, these consolidated financial statements include financial information for the nine-month transition period from April 1, 2023, to December 31, 2023. The comparative consolidated financial statements are for the twelve-month period from April 1, 2022, to March 31, 2023. The current year's consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows, together with related notes, are not comparable to the figures presented for the comparative period due to the change in fiscal year-end.

(e) Basis of consolidation

The consolidated financial statements represent the 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 December 31, 2023, the Company controlled for financial reporting purposes and consolidated the following active entities. As at December 31, 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. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Foreign currency translation

Foreign currency transactions are translated into an entity's functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For consolidated entities with a functional currency different from the Company's presentation currency, assets and liabilities are translated to the presentation currency at the period end exchange rates, and the results of operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded within other comprehensive income.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted, or additional assets or liabilities are recognized, during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that time. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of loss and comprehensive loss.

(c) Cash and cash equivalents

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

(d) Short term investments

Short term investments include deposits with maturities between 90 and 365 days.

(e) Inventory

Inventory of purchased finished goods, packaging materials, supplies, and consumables is initially valued at cost and subsequently measured at the lower of cost and net realizable value. Inventory of harvested cannabis is transferred from biological assets at its fair value less costs to sell and complete at harvest, which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. The Company reviews inventory for obsolete, redundant, and slow-moving goods and any such inventory is written down to net realizable value.

(f) Biological assets

The Company measures biological assets, which consist of cannabis plants, at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of internally-produced harvested cannabis and finished goods inventory after harvest. These costs are then recorded within cost of goods sold in the consolidated statements of loss and comprehensive loss on a systematic basis as final products are sold. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are recorded in the consolidated statements of loss and comprehensive loss.

Production costs related to biological assets are capitalized. These costs include the direct costs of seeds and growing materials, as well as other indirect costs such as utilities and supplies used in the growing process. The cost of direct and indirect labour for individuals involved in the growing and quality control processes is also capitalized, as well as the amortization of the acquired cannabis license, depreciation on production equipment, and overhead costs such as rent and right-of-use asset amortization to the extent it is associated with the growing space. Unrealized fair value gains or losses on the growth of biological assets are reported in a separate line on the face of the consolidated statements of loss and comprehensive loss.

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with *IAS 2, Inventories*.

(g) Financial instruments

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

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

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

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

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

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

• Cash and cash equivalents	Amortized cost
• Short term investments	Amortized cost
• Accounts receivable	Amortized cost
• Other receivables	Amortized cost
• Other investments	FVTPL or FVTOCI
• Accounts payable and accrued liabilities	Amortized cost
• Provision liability	Amortized cost
• Convertible notes	Amortized cost

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

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

- The Company may designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor a contingent consideration arising from a business combination to be classified as FVTOCI. Please refer to Note 14 for the investments in equity instruments where the Company has made this designation/election.

Financial assets and liabilities at amortized cost

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

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss is included in the "Net changes in fair value of financial assets at fair value through profit or loss" line item (Note 14). Income such as dividends and interest earned on FVTPL financial assets is presented and disclosed separately in the consolidated statements of loss and comprehensive loss. Fair value is determined in the manner described in Note 28.

Financial assets at FVTOCI

Financial assets at FVTOCI are measured at fair value at the end of each reporting period. Any fair value gains or losses, net of income taxes, are recognized in other comprehensive income included in accumulated other comprehensive income or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 14.

Impairment of financial assets

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

- Accounts receivable
- Interest and royalty receivable
- Other receivables

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

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

Where the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECLs. The ECLs on these financial assets are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to collateral and reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The estimation and application of forward-looking information requires significant judgement. 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 over the expected life of the instrument. The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

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

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

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

Compound financial instruments

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

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

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 consolidated statements of loss and comprehensive loss over the term to maturity using the effective interest rate. On conversion, the fair value of the financial liability is reclassified to equity and no gain or loss is recognized.

(h) Property, plant, and equipment

Property, plant, and equipment are reported at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated when the asset is available for use, on a straight-line basis over the estimated useful life of the asset using the following terms:

Asset class	**Depreciable life**
Leasehold improvements	Lease term
Manufacturing equipment	2 to 10 years
Construction-in-progress assets	Lease term
Vehicles	5 years
Furniture and fixtures	2 to 10 years
Right-of-use assets	Lease term

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

(i) Intangible assets and goodwill

Finite life intangible assets

Intangible assets are reported at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortized on a systematic basis over their useful lives in a manner that reflects how the Company expects to derive value from use of the asset. Amortization is calculated over the estimated useful life of the asset (which does not exceed the contractual period, if any) using the following terms:

Asset class	Amortization method	Amortizable life
Brand	Straight-line	10 years
Cannabis license rights	Pattern of projected revenue	15 years
Term-based cannabis permits	Straight-line	2 years
Computer software	Straight-line	5 years

The estimated useful lives, residual values, and methods of amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate. The Company's finite life intangible assets are tested for impairment when circumstances indicate the carrying value may be impaired. The Company assesses whether indicators of impairment exist at each reporting date.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or CGUs that are expected to benefit from the synergies of the business combination.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amounts of the assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statements of loss and comprehensive loss in the period in which the impairment is identified. Impairment losses that have been recognized in respect of goodwill are not subsequently reversed.

(j) Associates

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

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is subsequently adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. To the extent that it exists, goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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

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

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

(k) Leases

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

Lessee

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

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

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

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

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

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

Lease payments are apportioned between the liability and a finance charge, which is reported within "Accretion and interest expense" in the consolidated statements of loss and comprehensive loss. The right-of-use asset is amortized over the shorter of the asset's useful life or the lease term on a straight-line basis and presented within "Cost of goods sold" or "Selling, general, and administrative expenses", as applicable, in the consolidated statements of loss and comprehensive loss.

The Company's applicable leases are property leases, for which fixed payments covering principal lease payments are included in the value of the right-of-use assets and lease liabilities. Non-lease components such as insurance, maintenance costs, property tax, and other operating expenses are expensed as incurred within "Cost of goods sold" or "Selling, general, and administrative expenses", as applicable, in the consolidated statements of loss and comprehensive loss.

Payments for leases with a term of 12 months or less and low-value leases, if any, are recognized on a straight-line basis within "Cost of goods sold" or "Selling, general, and administrative expenses", as applicable, in the consolidated statements of loss and comprehensive loss and are not recognized prior to accrual in the consolidated statements of financial position.

(l) Revenue

Revenue is recognized by the Company in accordance with *IFRS 15, Revenue from Contracts with Customers* ("IFRS 15"). Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

To recognize revenue under IFRS 15, the Company applies the following five steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer at either its medical dispensaries or delivery to a retail or wholesale customer. Revenue is presented net of discounts and sales tax (if applicable). As at December 31, 2023, the majority of the Company's revenue was derived from sales at medical cannabis dispensaries in New York.

Local authorities will often impose excise tax on the sale or production of cannabis products. Excise taxes are effectively a production tax that is payable on the gross receipts of medical cannabis sold by a registered organization ("RO") to a certified patient or designated caregiver. The excise tax is borne by the Company and is not a tax on the patient. Excise taxes are included in revenue. The subtotal "Total revenue, net" in the consolidated statements of loss and comprehensive loss represents the Company's revenue as defined by IFRS, less the excise taxes.

The Company offers customer loyalty programs through which medical cannabis customers accumulate points for each dollar of spending. These points are recorded as deferred revenue until customers redeem their points for discounts on cannabis products as part of an in-store sales transaction, or the points expire.

(m) Income taxes

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

Certain of the Company's U.S.-domiciled consolidated subsidiaries are subject to Section 280E of the U.S. Internal Revenue Code of 1986 ("IRC Section 280E"), which disallows tax deductions and credits from gross income attributable to a trade or business of trafficking in U.S. controlled substances (labeled as Schedule I or Schedule II). Under current U.S. federal law, cannabis is a Schedule I controlled substance, and therefore the provisions of IRC Section 280E apply. Accordingly, the Company's effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

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

(n) Share-based compensation

Certain directors and employees of the Company are eligible to participate in long-term compensation plans under which they are eligible to purchase or receive Class A Common Shares of the Company. The Company measures equity-settled share-based payments based on their fair value at the deemed grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based compensation reserves to share capital.

Certain employees of the Company are also eligible to participate in a cash-settled long-term incentive compensation pool that is based on appreciation of the Company's market capitalization over a defined period of time. As the pool is settled in cash, the related obligations are recorded as liabilities in the Company's consolidated statements of financial position. The fair value of the pool is measured at each reporting period, and an expense is recorded within "Selling, general, and administrative expenses" in the consolidated statements of loss and comprehensive loss to the extent employees have rendered services over the applicable vesting period.

(o) Segment reporting

Operating segment

An operating segment is a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engaged in business activities from which it may earn revenue and incur expenses.

The Company's chief operating decision maker is represented by key management personnel. For management purposes, during the nine months ended December 31, 2023, the Company was organized into the following two main operating segments:

- **U.S. Cannabis Platform** – focused on the cultivation, manufacturing, distribution, and sale of medical cannabis in the U.S., and services related thereto, including the Company's corporate activities; and
- **Minority Portfolio** – focused on the maintenance of the Company's legacy portfolio of minority investments in the cannabis space in which it had historically invested to provide investor returns through dividends, interest, rent, royalties, and capital appreciation.

As permitted under *IFRS 8, Operating Segments*, the Company does not separately disclose operating segments that do not meet certain quantitative thresholds. As such, the Company's one reportable segment is the U.S. cannabis platform.

Geography

The Company operates in the U.S. and Canada. As at December 31, 2023, the Company had the following non-current assets by geography:

	U.S.	**Canada**
Non-current assets(1)	$ 107,003	$ 269

(1) The Company's non-current assets disclosed in the table above exclude associates, other investments, and deferred tax assets.

The Company's reported revenue, net of excise tax, of $5,548 for the nine months ended December 31, 2023, was entirely attributable to the U.S (year ended March 31, 2023 - $6,807).

(p) Non-controlling interest

Non-controlling interest ("NCI") represents the portion of equity ownership in subsidiaries not attributable to the Company's shareholders. NCI is initially measured at either the fair value or proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition. The initial measurement is an election made on a transaction-by-transaction basis. NCI is subsequently adjusted for the share of net income (or loss) and other comprehensive income (or loss) attributable to the NCI based on contractual terms of the related agreements.

The Company does not own a direct equity interest in Etain LLC, but has 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. Accordingly, the Company does not ascribe any value to the equity interest of Etain LLC that it does not directly own, and there is no non-controlling interest accounted for in the Company's consolidated statements of loss and comprehensive loss or in its consolidated statements of financial position.

(q) Earnings per share

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

(r) Accounting standards and amendments issued and adopted

Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require the disclosure of material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has disclosed its material accounting policies in the consolidated financial statements.

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 consolidated 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 standards and amendments issued but not yet adopted

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.

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 does not expect this amendment to have a material impact on its future consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, 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.

Control

The Company consolidates entities over which it exercises control. 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.

The assessment of control is based on the consideration of all facts and circumstances on a collective basis. Judgement is required in determining whether the Company has control over an entity. When voting rights are not relevant in determining whether the Company has power over an entity, the assessment of control considers the Company's relationship with the entity, its ability to make decisions over significant activities, and whether the Company acts as principal or agent. The Company has determined it exercises control over Etain LLC, as defined in *IFRS 10, Consolidation*, as of the acquisition date. Please refer to Note 5 for additional details.

Business Combinations

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total future net cash flows expected to be derived from the asset. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period may last up to one year from the acquisition date. 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.

Impairment of Goodwill and Intangible Assets

The carrying values of goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The Company tests for impairment of goodwill and intangible assets by comparing the carrying amount of the CGU to its recoverable amount, which is the greater of estimated FVLCS and value-in-use calculations that use a discounted cash flow model. The determination of the Company's CGUs is based on management's judgement.

Estimates of FVLCS are based on the best information available to reflect the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal. FVLCS calculations may encompass an income approach, market approach, or cost approach, as prescribed in *IFRS 13, Fair value.*

Value-in-use calculations employ key assumptions regarding future cash flows, growth prospects, economic risks, and estimates of the Company's ability to achieve key operating metrics, among other items. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the

Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested.

The recoverable amount is sensitive to several items, including the discount rate applied in the discounted cash flow model (if applicable) and expectations regarding growth rates and future cash flows. The estimated FVLCS may also be based upon an assessment of comparable company multiples and precedent transaction multiples.

Biological Assets

Management is required to make significant estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth of the cannabis plant up to the point of harvest, expected yields, harvesting costs, selling costs, and average expected selling prices.

Inventory

The net realizable value of inventory represents the estimated selling price for inventory in the ordinary course of business, less all estimated costs of completion and estimated costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as the aging of and future demand for inventory, the expected future selling price the Company expects to realize by selling the inventory, and contractual arrangements with customers (if applicable). Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts, expiry dates, and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in "Cost of goods sold" in the consolidated statements of loss and comprehensive loss.

Estimated Useful Lives and Depreciation and Amortization of Property, Plant, and Equipment and Intangible Assets

Depreciation and amortization of property, plant, and equipment, and intangible assets are dependent upon estimates of useful lives and selected depreciation or amortization methods, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

Fair Value Measurement and Valuation Process

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

In certain limited circumstances, the Company may consider cost to be an appropriate estimate of the fair value of an investment in equity instruments, such as when more recent information is not available or insufficient to measure fair value or there is a wide range of possible fair value measurements and cost represents the best estimate within that range. The Company uses all information about the performance and operations of the investee that becomes available after initial recognition of the financial asset to consider whether there are indicators that cost might not be representative of fair value, including significant changes in performance compared to plans or comparable entities, changes in the market or economy, changes in the valuations of comparable companies, or evidence from external transactions in the investee's equity.

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

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

Please refer to Notes 9, 13, 14, 17, and 28 for additional details on the Company's fair value measurement.

Impairment of Associates

Investments in associates are tested for impairment when there are indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgement 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 comprises two successive steps, as follows:

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

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

Share-based Compensation

In calculating share-based compensation expense, the Company utilizes the Black-Scholes option pricing model and Geometric Brownian Motion within a Monte Carlo simulation. These option pricing models employ key estimates such as the expected life of the options or term to payout, volatility of the Company's stock price, risk-free rate, and the Company's credit-adjusted risk-free rate.

Please refer to Note 18 for additional details on the Company's measurement of share-based payments.

IRC 280E

Goodwill and intangible assets that arise from business combinations may be subject to the limits of IRC Section 280E if they exist in an entity that deals in trade or business of trafficking in U.S. controlled substances (labeled as Schedule I or Schedule II). The assessment of tax basis on goodwill and intangible assets requires significant judgement and a view of facts and circumstances on an aggregate basis. The Company has prepared the consolidated financial statements on the basis that the tax attributes related to the goodwill and intangible assets acquired in the Etain Acquisition will be subject to IRC Section 280E.

Deferred Taxes

The Company recognizes deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable income, including expectations around capital gains. To the extent that future cash flow and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to utilize deferred tax assets.

Provisions for deferred tax liabilities are made using the best estimate of the amount expected to be paid based on an assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recognized, such differences will affect the tax provisions in the period in which such determination is made.

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

5. 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 fiscal 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.

(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 for the year ended March 31, 2023. 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).

6. CASH AND CASH EQUIVALENTS

As at December 31, 2023, the Company held $81,012 in interest-earning deposits with a maturity of 90 days or less that can be accessed at any time without penalty (March 31, 2023 – $74,388).

During the nine months ended December 31, 2023, the Company recognized interest income of $2,822 on its interest-earnings deposits (year ended March 31, 2023 - $1,514).

During the nine months ended December 31, 2023, the Company recognized a net unrealized loss on foreign-denominated cash deposits of $1,377 (year ended March 31, 2023 – unrealized gain of $12,492).

7. SHORT TERM INVESTMENTS

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

8. 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 December 31, 2023, and March 31, 2023, are summarized below.

	As at Dec. 31, 2023	As at Mar. 31, 2023
Work-in-progress		
Wet and dried cannabis and trim	$ 2,120	$ 2,360
Intermediate oils and oil solutions	4,746	3,457
Finished goods	3,268	3,126
Total cultivation and production inventory	**$ 10,134**	**$ 8,943**
Packaging and miscellaneous	461	411
Less: inventory reserve	(187)	(203)
Total inventory	**$ 10,408**	**$ 9,151**

For the nine months ended December 31, 2023, the Company recorded a write-down of $524, primarily on its intermediate oils and oil solutions that it determined would not be used in the production of finished goods (year ended March 31, 2023 – $nil). This expense has been recognized directly within cost of goods sold in the consolidated statements of loss and comprehensive loss.

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

9. BIOLOGICAL ASSETS

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

	Nine months ended Dec. 31, 2023	**Year ended Mar. 31 2023**
Biological assets – opening balance	**$ 274**	**$ -**
Acquired in business combination (Note 5)	-	236
Cost incurred prior to harvest to facilitate biological transformation (i.e. capitalized production costs)	3,171	2,644
Unrealized gain (loss) on fair value of biological assets	(739)	(31)
Transferred to inventory upon harvest	(1,956)	(2,575)
Biological assets – ending balance	**$ 750**	**$ 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 Dec. 31, 2023	**As at Mar. 31, 2023**
Harvest yield of whole flower	72 grams / plant	73 grams / plant
Harvest yield of trim	72 grams / plant	10 grams / plant
Selling price of whole flower	$3.70 / gram	$5.50 / gram
Selling price of trim	$1.70 / 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 December 31, 2023:

Assumption	**Change**	**Impact**
Harvest yield	- 5.0% / + 5.0%	$ (38) / $ 37
Selling price	- 5.0% / + 5.0%	$ (4) / $ 5

10. OTHER RECEIVABLES

Other receivables are comprised of the following:

	As at Dec. 31, 2023	**As at Mar. 31, 2023**
Interest receivable on FVTPL financial assets[1]	$ -	$ 168
Royalty receivable on FVTPL financial assets[1]	-	834
Other	216	280
Total other receivables	**$ 216**	**$ 1,282**

(1) Interest and royalty receivables presented net of provisions for expected credit losses.

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

During the nine months ended December 31, 2023, and prior to its disposition, the Company determined it was appropriate to recognize a full provision for expected credit losses on its gross outstanding royalty receivable and interest receivable balances from NOYA. Accordingly, the Company recognized an increase in the provision for expected credit losses of $1,098 for the nine months ended December 31, 2023. This change in the provision for expected credit losses has been recognized within "Other income, net" in the consolidated statements of loss and comprehensive loss. Upon disposition of the Company's interest in NOYA, as further discussed in Notes 13 and 14, the Company wrote off the outstanding gross receivable balances related to NOYA in its consolidated statements of financial position.

11. 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	Other	Right-of-use assets	Total
COST						
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**	**$ 563**	**$ 563**
Acquired in business combinations (Note 5)	-	261	-	54	13,158	13,473
Additions	3,035	1,431	85	1	389	4,941
Effects of foreign exchange ("FX")	-	-	-	-	(43)	(43)
Balance – Mar. 31, 2023	**$ 3,035**	**$ 1,692**	**$ 85**	**$ 55**	**$ 14,067**	**$ 18,934**
Additions	2,114	858	3,510	30	2,561	9,073
Derecognitions	-	-	-	-	(531)	(531)
Effects of FX	-	-	-	-	10	10
Balance – Dec. 31, 2023	**$ 5,149**	**$ 2,550**	**$ 3,595**	**$ 85**	**$ 16,107**	**$ 27,486**
ACCUMULATED DEPRECIATION						
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ -**	**$ -**	**$ 362**	**$ 362**
Depreciation	-	62	-	36	1,588	1,686
Effects of FX	-	-	-	-	(28)	(28)
Balance – Mar. 31, 2023	**$ -**	**$ 62**	**$ -**	**$ 36**	**$ 1,922**	**$ 2,020**
Depreciation	264	196	-	1	1,431	1,892
Derecognitions	-	-	-	-	(531)	(531)
Effects of FX	-	-	-	-	8	8
Balance – Dec. 31, 2023	**$ 264**	**$ 258**	**$ -**	**$ 37**	**$ 2,830**	**$ 3,389**
NET BOOK VALUE						
Mar. 31, 2023	**$ 3,035**	**$ 1,630**	**$ 85**	**$ 19**	**$ 12,145**	**$ 16,914**
Dec. 31, 2023	**4,885**	**2,292**	**3,595**	**48**	**13,277**	**24,097**

During the nine months ended December 31, 2023, the Company capitalized to inventory depreciation and right-of-use asset amortization of $1,291 (year ended March 31, 2023 – $1,081).

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

12. INTANGIBLE ASSETS AND GOODWILL

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

	Cannabis license rights	Term-based cannabis permits	Brands	Other	Total
COST					
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ -**	**$ 76**	**$ 76**
Acquired in business combinations (Note 5)	97,750	134	7,900	-	105,784
Additions	-	-	-	-	-
Effects of FX	-	-	-	(7)	(7)
Balance – Mar. 31, 2023	**$ 97,750**	**$ 134**	**$ 7,900**	**$ 69**	**$ 105,853**
Additions	18,862	496	-	17	19,375
Derecognition	-	(154)	-	-	(154)
Effects of FX	-	-	-	2	2
Balance – Dec. 31, 2023	**$ 116,612**	**$ 476**	**$ 7,900**	**$ 88**	**$ 125,076**
ACCUMULATED AMORTIZATION					
Balance – Mar. 31, 2022	**$ -**	**$ -**	**$ -**	**$ 26**	**$ 26**
Amortization	600	99	740	14	1,453
Effects of FX	-	-	-	(3)	(3)
Balance – Mar. 31, 2023	**$ 600**	**$ 99**	**$ 740**	**$ 37**	**$ 1,476**
Amortization	300	85	595	11	991
Impairment	39,704	-	2,915	-	42,619
Derecognition	-	(154)	-	-	(154)
Effects of FX	-	-	-	2	2
Balance – Dec. 31, 2023	**$ 40,604**	**$ 30**	**$ 4,250**	**$ 50**	**$ 44,934**
NET BOOK VALUE					
Mar. 31, 2023	**$ 97,150**	**$ 35**	**$ 7,160**	**$ 32**	**$ 104,377**
Dec. 31, 2023	**76,008**	**446**	**3,650**	**38**	**80,142**

During the nine months ended December 31, 2023, the Company capitalized to inventory intangible asset amortization of $276 (year ended March 31, 2023 – $544).

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Goodwill – opening balance	**$ 6,031**	**$ -**
Acquired in business combinations (Note 5)	-	144,968
Impairment of goodwill	(6,031)	(138,937)
Goodwill – ending balance	**$ -**	**$ 6,031**

Indicator-based impairment testing

Goodwill

Goodwill is tested for impairment annually and when indicators are present that suggest the carrying amount may not be recoverable.

The carrying value of goodwill is allocated entirely to the CGU group represented by the four Etain operating retail stores, and the cultivation, processing, and manufacturing facility (together, the "Etain CGU Group").

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

During the three months ended September 30, 2022, the Company determined that certain indicators of impairment were present for its Etain CGU Group. Such indicators included, but were not limited to, valuations implied by market transactions involving comparable businesses and developments related to the regulatory framework for the impending adult-use cannabis market in New York. Accordingly, impairment testing was performed.

The Company estimated the recoverable amount of the Etain CGU Group based upon the greater of its value in use and its FVLCS using an income approach (specifically, a discounted cash flow method, which discounts the net cash flows projected to be derived from the CGU group based on business plans reviewed by management). The recoverable amount derived from this analysis was compared to the carrying value of the Etain CGU Group, and the Company recognized an impairment expense of $138,937 in respect of the Etain CGU Group. The entire impairment expense was allocated to goodwill.

Intangible assets

During the three months ended December 31, 2023, the Company determined that certain indicators of impairment were present for its brand intangible assets. Such indicators included, but were not limited to, the observed split between house-branded and third-party-branded sales at the Company's medical dispensaries and changes in management's expectations for the same going forward. Accordingly, impairment testing was performed.

The Company estimated the recoverable amount of the brand intangible assets based upon the greater of its value in use and its FVLCS using an income approach (specifically, a relief-from-royalties method, which is based on the premise that an intangible asset is worth the net present value of the future expected royalty payments avoided due to ownership of the underlying asset). The recoverable amount derived from this analysis was compared to the carrying value of the brand intangible assets, and the Company recognized an impairment expense of $2,915 in respect of the brand intangible assets.

Annual impairment testing

As described in Note 3, goodwill is tested for impairment annually irrespective of the presence of impairment indicators. CGUs are tested for impairment by comparing the carrying value of the CGU (or group of CGUs) to the recoverable amount. Key assumptions used in calculating the recoverable amount include projections of future cash flows, growth rates, and changes in operating margins, as well as discount rates.

The Company performed its annual impairment testing for the Etain CGU Group based upon its FVLCS. The fair value measurement was categorized as a Level 3 fair value based upon the inputs used in the valuation technique that was applied. The fair value of the Etain CGU Group was estimated using an income approach to value; specifically, a discounted cash flow method, which discounts the net cash flows projected to be derived from the CGU group based on business plans reviewed by management. The projections reflected management's expectations of future revenue, operating margins, working capital needs, and capital expenditures as at the impairment testing date. These cash flow projections reflect laws and tax regimes that are enacted or substantially enacted as at the impairment testing date. Discount rates, derived from the weighted average cost of capital for the CGU group, are applied to the cash flow projections and are intended to reflect the risk inherent in achieving such projections.

As at December 31, 2023, the Company estimated the FVLCS of the Etain CGU Group using cash flow projections for the fiscal years ending December 31, 2024, to 2028, a terminal growth rate of 3.0%, and an after-tax discount rate of approximately 23.0%, among other key inputs and assumptions. The Company compared the recoverable amount of $80,918 derived from this analysis to the carrying value of the Etain CGU Group. Based on the foregoing, as at December 31, 2023, the Company recognized an impairment expense of $45,735 in respect of the Etain CGU Group. The impairment expense was allocated first to the carrying amount of goodwill recorded for the Etain CGU Group, reducing the carrying amount to $nil. The remaining impairment expense was allocated subsequently to the cannabis license rights intangible assets within the Etain CGU Group.

The Company has quantified the sensitivity of the following valuation input to estimate the potential impact on the recoverable amount of the Etain CGU Group on the consolidated statements of financial position:

Assumption	Change	Impact
After-tax discount rate	+ 1.0% / - 1.0%	$(6,700) / $7,400

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

13. 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	-	-	(172)	(172)
Impairment	-	(1,536)	(323)	(1,859)
Effects of FX	-	33	3	36
Balance – Dec. 31, 2023	**$ -**	**$ -**	**$ -**	**$ -**

(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

At each interim reporting period end throughout the nine months ended December 31, 2023, the Company assessed its investments in associates for indicators of impairment 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.

LeafLink Intl.

As at December 31, 2023, as a result of the ongoing pause in operations of LeafLink Intl., the Company determined that there were indicators of impairment present for its equity investment in LeafLink Intl.

The Company first applied the equity method to determine the carrying value of its investment in LeafLink Intl. common shares, and then performed impairment testing in accordance with IAS 36. The recoverable amount of the Company's investment in LeafLink Intl. common shares was determined by estimating FVLCS (based upon a market-based approach to value using Level 3 inputs). For an extended period, LeafLink Intl.'s operations have not expanded into viable international markets, and this factored significantly into the Company's estimation of FVLCS.

As a result of this impairment test, the Company estimated that the recoverable amount of its equity investment in LeafLink Intl. was $nil. Consequently, the Company recognized an expense for impairment of associates of $1,536 for the nine months ended December 31, 2023, related to LeafLink Intl. (year ended March 31, 2023 - $nil), reducing the carrying value of the equity investment to $nil.

NOYA

As at September 30, 2023, as a result of continued financial challenges experienced by NOYA, including in respect of NOYA's liquidity and its ability to service its debt obligations, the Company determined that there were indicators of impairment present for its equity investment in NOYA.

The Company first applied the equity method to determine the carrying value of its investment in NOYA common shares, and then performed impairment testing in accordance with IAS 36. The recoverable amount of the Company's investment in NOYA common shares was determined by estimating FVLCS (based upon a market-based approach to value using Level 3 inputs). The Company estimated enterprise value using enterprise value to revenue multiples of comparable publicly-traded companies, adjusted to reflect differences in size and liquidity, and deducted net debt of NOYA to arrive at an estimated equity value.

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

As a result of this impairment test, the Company estimated that the recoverable amount of its equity investment in NOYA was $nil. Consequently, the Company recognized an expense for impairment of associates of $323 for the nine months ended December 31, 2023, related to NOYA (year ended March 31, 2023 - $207), reducing the carrying value of the equity investment to $nil.

Significant Developments for the Nine Months Ended December 31, 2023

NOYA

On December 20, 2023, the Company entered into a purchase agreement with an arm's-length party pursuant to which the Company sold its 17,588,424 common shares, convertible debenture, and royalty interest in NOYA for cash proceeds and a promissory note (which settled on December 31, 2023), together totaling $1,002. Gross proceeds were allocated $754 to the convertible debenture and $248 to the royalty interest. No consideration was received for the NOYA common shares. Prior to the sale, the Company's carrying value of the NOYA common shares was $nil, and thus no gain or loss was recognized on the disposition of the NOYA common shares.

Please refer to Note 14 for additional information on the Company's investment in the NOYA convertible debenture and royalty interest.

14. 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 in accounting for its financial instruments. In accordance with IFRS 9, the Company has elected to measure certain investments in equity instruments at 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 FVTPL. Please refer to Note 28 for additional details on valuation methodologies and key inputs and assumptions for these financial assets.

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	(77)	-	(1,986)	-	(2,063)	(1,892)
Conversions/dispositions	(72)	(754)	(1,148)	-	(1,974)	-
Effects of FX	(3)	16	33	-	46	336
Balance – Dec. 31, 2023	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 13,505**

Significant Developments for the Nine Months Ended December 31, 2023

Agripharm

On December 11, 2023, the Company entered into an asset purchase agreement with an arm's-length party pursuant to which the Company sold its royalty interest investment in Agripharm for gross cash proceeds of

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

$900. Prior to disposition, the royalty interest was measured at FVTPL. The Company recognized a decrease in fair value of financial assets at FVTPL of $43 related to the Agripharm royalty interest prior to disposition.

Dynaleo

During the nine months ended December 31, 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). On October 20, 2023, Dynaleo filed a Certificate of Assignment in the matter of bankruptcy with the Industry Canada Office of the Superintendent of Bankruptcy Canada. Accordingly, as at December 31, 2023, the estimated fair value of the Company's investment in Dynaleo was $nil (March 31, 2023 – $nil). No mark-to-market adjustment was recognized during the nine months ended December 31, 2023, as the investment was written down to $nil prior to the reporting period.

NOYA

As discussed in Note 13, on December 20, 2023, the Company sold its convertible debenture and royalty interest investments in NOYA for gross proceeds of $754 and $248, respectively. Prior to disposition, both the convertible debenture and royalty interest were measured at FVTPL. The Company recognized a decrease in fair value of financial assets at FVTPL of $507 related to the NOYA royalty interest prior to disposition.

15. LEASE LIABILITY

The Company's lease liability as at December 31, 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 approved for medical retail dispensary relocation, and adult-use colocation subsequent to December 31, 2023;
- Corporate head office in Toronto, Ontario; and
- Corporate office in Armonk, New York.

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

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Lease liability – opening balance	**$ 12,955**	**$ 212**
Acquired in business combinations (Note 5)	-	13,158
Lease additions	2,286	-
Lease remeasurement	169	390
Lease payments	(1,831)	(2,010)
Interest expense on lease liability	1,119	1,220
Effects of FX	2	(15)
Lease liability – ending balance	**$ 14,700**	**$ 12,955**
Lease liability – current portion	$ 1,320	$ 1,056
Lease liability – non-current portion	13,380	11,899

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

	As at Dec. 31, 2023
No later than one year	$ 2,868
Later than one year; not later than five years	10,348
Later than five years	8,999
Total[(1)]	**$ 22,215**

(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 December 31, 2023. Please refer to Note 19 for additional details on the Company's commitments related to the Flagship Facility.

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

On August 23, 2022, the Company entered into a lease agreement with Laborers Way 1, LLC, an affiliate of California-based developer Zephyr Partners, 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 December 31, 2023, the Company had made cumulative Tenant Cost Contributions of $2,233 (March 31, 2023 – $1,121), of which $1,112 were made during the nine months ended December 31, 2023 (year ended March 31, 2023 – $1,121). The Tenant Cost Contributions have been recorded within “Other long-term assets” in the consolidated statements of financial position and will be added to the right-of-use asset when recognized upon commencement of the lease. Please refer to Note 19 for additional details on the Company's commitments related to the Flagship Facility.

16. PROVISION LIABILITY

On December 8, 2023, the CCB approved Etain LLC's application to transition to a New York adult-use cannabis operator. Etain LLC had applied for a Registered Organization Dispensing (“ROD”) license, which allows the entity to participate in all aspects of vertical integration, including cultivation, processing, distribution, and retail activities. The OCM mandates that an ROD license holder shall pay an adult-use license fee, a cultivation fee based on canopy space and type, and a one-time $20,000 special fee (the “Special License Fee”), which is payable in four equal installments upon the achievement of certain milestones, including separate milestones for the opening of the first and second adult-use co-located retail dispensaries, and reaching certain gross revenue thresholds.

In accordance with *IAS 37, Provisions, Contingent Liabilities, and Contingent Assets*, the Company has recognized a provision liability as at December 31, 2023, equal to the present value of the Special License Fee payments based on management's estimates for the expected dates of payment. Please refer to Note 29 for further information.

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

	Nine months ended Dec. 31, 2023
Provision liability – opening balance	**$ -**
Face value on recognition	18,862
Accretion expense on provision liability	41
Provision liability – ending balance	**$ 18,903**
Provision liability – current portion	$ 9,755
Provision liability – non-current portion	9,148

17. 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	8,329	1,425	9,754
Effects of FX	1,903	306	2,209
Balance – Dec. 31, 2023	**$ 94,175**	**$ 15,149**	**$ 109,324**

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

18. 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 – Mar. 31, 2022	**142,592,403**
Issued pursuant to business combinations (Note 5)	26,365,419
Repurchased pursuant to litigation settlement	(33,733,334)
Redemption of RSUs (as defined herein)	219,245
Redemption of PSUs (as defined herein)	173,580
Balance – Mar. 31, 2023	**135,617,313**
Redemption of RSUs	142,778
Redemption of PSUs	410,547
Balance – Dec. 31, 2023	**136,170,638**

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.

On October 25, 2023, the Board approved the Management Incentive Plan (the "MIP"), which is intended to promote further alignment of interests between management and shareholders of the Company by associating a portion of total compensation payable to officers and key management of the Company with the returns achieved by shareholders. The MIP governs the creation and maintenance of an incentive pool, which is equal to 4% of the increase in the market capitalization of the Company from an initial value determination date to subsequent anniversary dates, subject to certain adjustments. At each anniversary date, participants in the MIP, which are determined by the Board, are eligible to receive a portion of the incentive pool, as determined by the Board, payable in cash. The Company has determined that the MIP falls within the scope of *IFRS 2, Share-based Payments*.

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

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

	Nine months ended Dec. 31, 2023	**Year ended Mar. 31, 2023**
Stock options	$ 62	$ (134)
RSUs	-	380
PSUs	65	174
DSUs	16	104
MIP	29	-
Total share-based compensation	**$ 172**	**$ 524**

Stock options

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

	As at Dec. 31, 2023	**As at Mar. 31, 2023**
Outstanding stock options		
Number outstanding	2,451,500	5,664,834
Weighted average exercise price	C$ 1.15	C$ 2.95
Weighted average remaining life	3.1 years	1.0 years
Exercisable stock options		
Number outstanding	1,031,500	4,898,169
Weighted average exercise price	C$ 2.39	C$ 3.30
Weighted average remaining life	1.6 years	0.4 years

The following assumptions were used in determining the fair value of new stock option grants during the nine months ended December 31, 2023, and year ended March 31, 2023:

	Nine months ended Dec. 31, 2023	**Year ended Mar. 31, 2023**
Share price	C$0.12-C$0.14	C$0.43-C$1.47
Exercise price	C$0.12-C$0.14	C$0.43-C$1.47
Risk-free interest rate	4.3% – 4.5%	2.5% – 3.9%
Weighted average expected life (years)	2.5 – 4.0	3.0 – 4.0
Dividend yield	0%	0%
Expected annualized volatility	70%	65% – 70%
Expected forfeiture rate	0%	0%

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

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	(3,507,666)	1.99
Balance – Mar. 31, 2023	**5,664,834**	**C$ 2.95**
Granted	1,290,000	0.13
Exercised	-	-
Forfeited	(120,000)	0.14
Expired	(4,383,334)	3.21
Balance – Dec. 31, 2023	**2,451,500**	**C$ 1.15**

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	(142,778)	0.44
Forfeited	-	-
Balance – Dec. 31, 2023	**550,249**	**C$ 0.73**

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 was 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**
Redeemed	(410,547)	1.01
Forfeited	-	-
Balance – Dec. 31, 2023	**1,140,108**	**C$ 0.90**

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

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, and Mar. 31, 2022	**-**	**C$ -**
Granted	218,540	0.14
Redeemed	-	-
Forfeited	-	-
Balance – Dec. 31, 2023	**218,540**	**C$ 0.14**

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 was settled in cash.

On each of June 30, 2023, September 30, 2023, and December 31, 2023, 54,635 DSUs were granted to the aggregate participating directors.

Management Incentive Plan

The following assumptions were used in determining the fair value of the MIP as at December 31, 2023, using Geometric Brownian Motion within a Monte Carlo simulation:

	As at Dec. 31, 2023
Share price	C$0.10
Shares outstanding	136,170,638
Credit-adjusted risk-free interest rate	13.7% – 14.4%
Expected annualized volatility	70%
Term (years)	0.6 – 2.6
Expected forfeiture rate	0%

The following table presents a continuity of the Company's MIP liability for the nine months ended December 31, 2023:

	MIP Liability
Balance – Mar. 31, 2023	**$ -**
Share-based compensation expense	29
Payments	-
Balance – Dec. 31, 2023	**$ 29**

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

19. COMMITMENTS AND CONTINGENCIES

Financial obligations

As at December 31, 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	$ 8,528	$ 8,528	$ -	$ -	$ -
Lease liability[(1)]	22,215	2,868	5,730	4,618	8,999
Tenant Cost Contributions[(2)]	2,251	2,251	-	-	-
Convertible Notes[(3)]	172,514	-	-	172,514	-
Total financial obligations	**$ 205,508**	**$ 13,647**	**$ 5,730**	**$ 177,132**	**$ 8,999**

(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. Excludes Flagship Facility as the recognition criteria for that finance lease had not been met as at December 31, 2023. Please see Note 15 for additional details.

(2) Based on contractual capital contributions for the Flagship Facility. Please see Note 15 for additional details.

(3) Assumes the principal balance as at December 31, 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 December 31, 2023. Please see Note 17 for additional details.

The table above, which relates to the Company's financial obligations that are of determinable timing and amount, do not include the payments for the Special License Fee discussed in Note 16 and certain amounts related Excess Project Costs (as defined herein and discussed below), as the timing and/or amount for these items is only an estimate as at December 31, 2023. The Special License Fee is estimated to be $20,000 and is estimated to be payable as follows: $10,000 in 2024, $5,000 in 2025, and $5,000 in 2026. The Excess Project Costs (beyond what is already reflected in "Accounts payable and accrued liabilities") are estimated to be $7,728 and are estimated to be payable over the next 12 to 15 months.

Commitments

Chestertown construction costs

Pursuant to the terms of the Company's lease agreement for its cultivation and production facility in Chestertown, New York, the Company committed to fund certain construction costs related to the facility expansion project (the "Chestertown Expansion"), which was substantially completed during the nine months ended December 31, 2023. As at December 31, 2023, the Company had recognized cumulative payments and payables related to this commitment of $4,943 (March 31, 2023 – $3,035), of which $1,908 were recognized during the nine months ended December 31, 2023 (year ended March 31, 2023 – $3,035). These leasehold improvements (which include additional amounts that had not yet been paid as at December 31, 2023) are recognized within "Property, plant, and equipment" in the consolidated statements of financial position. As at December 31, 2023, there were no remaining amounts related to this commitment.

Flagship Facility excess project costs

Pursuant to the Company's lease agreement related to the Flagship Facility, total project cost overruns above the original construction budget for the development of the Flagship Facility are borne solely by the Company as lessee, and are payable in installments over the remainder of the construction project once such overruns are determined (the "Excess Project Costs"). During the three months ended December 31, 2023, the project budget for the development of the Flagship Facility was revised such that the Excess Project Costs were estimated to be $10,743. Pursuant to the terms of the lease agreement, once there is a new estimate of Excess Project Costs and the parties are able to calculate the percentage of total project costs represented by the new estimate of Excess Project Costs, the Company is required to make a retroactive payment to the landlord equal to that percentage applied to actual project costs incurred to date (less any amounts previously paid for Excess Project Costs). Accordingly, as at December 31, 2023, the Company recognized a liability of $3,015 within "Accounts payable and accrued liabilities" in the consolidated statements of financial position. Going forward, as project costs are incurred, the Company will be required to fund a percentage of such project costs based on the then-current estimate of Excess Project Costs as a percentage of the then-current estimate of total project costs. Accordingly, as construction work progresses, the Company expects to recognize liabilities for the remaining $7,728 of Excess Project Costs beyond the $3,015 that was recognized as at December 31,

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

2023. The Company's payments related to Excess Project Costs are in addition to the Tenant Cost Contributions described above.

20. REVENUE

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

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Cannabis retail revenue	$ 5,022	$ 6,346
Cannabis wholesale revenue	731	685
Non-medicated retail revenue	123	219
Excise taxes	(328)	(443)
Total revenue, net	**$ 5,548**	**$ 6,807**

21. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Personnel costs (excluding share-based compensation)	$ 6,315	$ 6,703
Legal expenses and consulting fees (excluding transaction and restructuring)	1,764	3,242
Insurance premiums	1,646	2,314
Director fees (excluding share-based compensation)	733	329
Non-inventoriable depreciation and amortization of fixed assets and intangible assets	717	940
Non-inventoriable right-of-use asset amortization	602	575
Severance expense	451	668
Selling and marketing expenses	423	351
Non-inventoriable lease expenses	260	340
Audit-related fees	320	1,068
Investor relations and other public company expenses	301	874
Share-based compensation	172	524
Transaction expenses	1,031	524
Other	899	2,050
Total selling, general, and administrative expenses	**$ 15,634**	**$ 20,502**

22. LITIGATION SETTLEMENT

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 the Etain Acquisition. In its application, JWAM sought a declaration that the management, business, or affairs of the Company were conducted in a manner that was oppressive or unfairly prejudicial or that unfairly disregarded the interests of JWAM as a shareholder of RIV Capital. JWAM also sought an order requiring the Company to purchase JWAM's Common Shares at C$1.65 per Common Share.

On February 23, 2023, the Company announced that it had entered into a settlement agreement, pursuant to which JWAM consented to the dismissal, without costs, of its application related to the Etain Acquisition.

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

Pursuant to the terms of the settlement agreement, the Company repurchased for cancellation all Common Shares owned or controlled by JWAM and its affiliates, amounting to 33,733,334 Common Shares, for an aggregate purchase price of $19,625. The Company also reimbursed certain legal expenses incurred by JWAM as part of its application and related matters in the amount of $375. As part of the settlement, JWAM and its affiliates withdrew their requisition for a special meeting of the Company's shareholders that was scheduled for June 6, 2023, and such meeting was cancelled by the Company.

In accounting for the share repurchase, $3,986 of the repurchase price was recognized as a reduction to share capital during the year ended March 31, 2023. The remaining repurchase price of $16,014 was recorded as a litigation settlement expense in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2023.

23. INCOME TAXES

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

	Nine months ended Dec. 31, 2023	**Year ended Mar. 31, 2023**
Loss before taxes	**$ (79,272)**	**$ (182,175)**
Income tax recovery calculated at 26.5%	(21,007)	(48,275)
Effect of litigation settlement expense	-	4,369
Effect of other items that are not deductible in determining taxable income	3,363	40,571
Return-to-provision adjustments	9	-
Effect of capital gains tax rate applied to certain financial assets	492	(1,091)
Effect of foreign tax rate differentials	2,664	400
Change in unrecognized deferred tax assets	(802)	1,100
Other	(147)	10
Income tax recovery	**$ (15,428)**	**$ (2,916)**

Certain entities over which the Company exercises financial control operate in the cannabis industry and are subject to 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 these certain 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)

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

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Current income tax recovery		
Current year	$ (3,276)	$ (113)
Adjustment in respect of prior periods	-	-
Current income tax recovery	**$ (3,276)**	**$ (113)**
Deferred income tax recovery		
Origination and reversal of temporary differences	$ (12,152)	$ (2,803)
Adjustment in respect of prior periods	-	-
Deferred income tax recovery	**$ (12,152)**	**$ (2,803)**
Income tax recovery	**$ (15,428)**	**$ (2,916)**

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Below is a summary of the movement in deferred tax assets (liabilities) for the nine months ended December 31, 2023, and the year ended March 31, 2023:

Nine months ended December 31, 2023							
	Apr. 1, 2023	**Recog-nized in profit or loss**	**Recog-nized in other compre-hensive income**	**Recogniz-ed directly in equity**	**Other**	**Effects of FX**	**Dec. 31, 2023**
Net operating losses ("NOLs")	$ 3,335	$ 709	$ -	$ 270	$ -	$ 73	$ 4,387
Capital losses carried forward	218	27	-	-	-	5	250
Share issuance costs	235	(21)	-	(75)	-	4	143
Equity method investments	(12)	12	-	-	-	-	-
Investments accounted for at FVTPL	416	(551)	-	-	101	4	(30)
Investments accounted for at FVTOCI	355	-	(546)	-	-	7	(184)
Unrealized FX gains/losses	(977)	640	-	-	-	(21)	(358)
Convertible Notes	(18,505)	2,281	-	-	-	(483)	(16,707)
Reserves	140	(86)	-	-	-	-	54
Goodwill and intangible assets	(21,907)	9,140	-	-	-	-	(12,767)
Other	45	1	-	-	-	1	47
Deferred tax asset (liability), net	**$ (36,657)**	**$ 12,152**	**$ (546)**	**$ 195**	**$ 101**	**$ (410)**	**$ (25,165)**

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

	Year Ended March 31, 2023						
	Apr. 1, 2022	**Recog-nized in profit or loss**	**Recog-nized in other compre-hensive income**	**Recogniz-ed directly in equity**	**Recog-nized in business combina-tion**	**Effects of FX**	**Mar. 31, 2023**
NOLs	$ 1,500	$ 1,950	$ -	$ -	$ -	$ (115)	$ 3,335
Capital losses carried forward	-	218	-	-	-	-	218
Share issuance costs	701	(32)	-	(379)	-	(55)	235
Equity method investments	479	(453)	-	-	-	(38)	(12)
Investments accounted for at FVTPL	898	(414)	-	-	-	(68)	416
Investments accounted for at FVTOCI	(82)	-	429	-	-	8	355
Unrealized FX gains/losses	(136)	(851)	-	-	-	10	(977)
Convertible Notes	(19,153)	2,149	-	(3,124)	-	1,623	(18,505)
Reserves	-	(46)	-	-	186	-	140
Goodwill and intangible assets	-	280	-	-	(22,187)	-	(21,907)
Other	44	2	-	-	-	(1)	45
Deferred tax asset (liability), net	**$ (15,749)**	**$ 2,803**	**$ 429**	**$ (3,503)**	**$ (22,001)**	**$ 1,364**	**$ (36,657)**

During the nine months ended December 31, 2023, the Company recognized current income tax recovery of $152 directly within other comprehensive income (year ended March 31, 2023 – current income tax recovery of $nil). During the nine months ended December 31, 2023, the Company recognized deferred income tax expense of $546 directly within other comprehensive income (year ended March 31, 2023 – deferred income tax recovery of $429).

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

	Nine months ended Dec. 31, 2023	**Year ended Mar. 31, 2023**
NOLs carried forward – Canada	$ 5,179	$ 27
NOLs carried forward – U.S Federal	6,570	2,665
NOLs carried forward – U.S. State	34,883	19,146
Goodwill and intangible assets – U.S. State	153,705	124,962
Capital losses carried forward – Canada	-	-
Share issuance costs	-	-
Equity method investments	4,952	6,169
Financial assets at FVTPL	-	12,235
Financial assets at FVTOCI	4,478	-
Finance leases	1,435	808
Other	1,564	761
Total	**$ 212,766**	**$ 166,773**

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

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

	Net Operating Losses		
Year of expiry	**Canada**	**U.S. Federal**	**U.S State**
2038	$ 52	$ -	$ -
2039	1,178	-	-
2040	1,691	-	-
2041	1,183	-	-
2042	1,247	-	-
2043	16,385	-	34,883
Indefinite	-	6,570	-
Total	**$ 21,736**	**$ 6,570**	**$ 34,883**

Upon initial recognition of Convertible Note I and Convertible Note II described in Note 17, the Company recognized a charge of $19,805 and $3,124, respectively, directly within equity and a corresponding deferred tax liability as a result of a temporary difference triggered by the recognition of the conversion feature within equity. The Company's reserve in shareholders' equity related to the Convertible Notes is presented net of these charges and does not get remeasured. For the nine months ended December 31, 2023, the deferred tax liability related to the Convertible Notes was reduced by $2,281 through a corresponding deferred income tax recovery included in net loss (year ended March 31, 2023 – $2,149). As at December 31, 2023, the Company had recognized deferred tax liabilities of $16,707 related to the Convertible Notes (March 31, 2023 – $18,505).

In connection with the Etain Acquisition described in Note 5, the Company recognized $22,187 of net deferred tax liabilities as a result of temporary differences related to the intangible assets acquired in the business combination. During the nine months ended December 31, 2023, these deferred tax liabilities were reduced by $9,140 through a corresponding deferred income tax recovery included in net loss (year ended March 31, 2023 – $234). As at December 31, 2023, the Company had recognized deferred tax liabilities of $12,767 related to the intangible assets acquired in the Etain Acquisition (March 31, 2023 – $21,907).

During the nine months ended December 31, 2023, the Company received net income tax refunds of $647 (year ended March 31, 2023 – $7,938). The Company expects to be in a net tax recovery position for its Canadian and U.S. subsidiaries for the nine months ended December 31, 2023, and, accordingly, has recognized a corresponding income tax receivable of $3,681 in its consolidated statements of financial position (March 31, 2023 – income tax receivable of $1,095 from Canadian tax authorities, income tax payable of $230 related to U.S. tax authorities.)

As at December 31, 2023, the Company had recognized a deferred tax asset of $54 primarily related to temporary differences the Company expects to reverse in the future to reduce U.S. federal income taxes payable (March 31, 2023 – $226).

24. 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.

	Nine Months ended Dec. 31, 2023			Year ended Mar. 31, 2023		
	Net loss	**Weighted avg. # of shares**	**EPS**	**Net loss**	**Weighted avg. # of shares**	**EPS**
Basic	$ (63,844)	135,859,704	$ (0.47)	$ (179,259)	164,117,576	$ (1.09)
Dilutive securities		-			-	
Diluted	$ (63,844)	135,859,704	$ (0.47)	$ (179,259)	164,117,576	$ (1.09)

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

25. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Change in accounts receivable	$ 7	$ 17
Change in inventory	(171)	(577)
Change in biological assets	(1,215)	(69)
Change in income tax receivable	(3,276)	(113)
Change in other receivables	(32)	(775)
Change in prepaid expenses and deposits	407	(631)
Change in other current assets	14	62
Change in accounts payable and accrued liabilities	(453)	877
Change in deferred revenue	(339)	(31)
Net impact of changes in working capital	**$ (5,058)**	**$ (1,240)**

During the nine months ended December 31, 2023, the Company received a net income tax refund of $647 (year ended March 31, 2023 – net income tax refund of $7,938). The Company did not make any payments of cash interest during the nine months ended December 31, 2023 (year ended March 31, 2023 – $nil).

26. 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 December 31, 2023.

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

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Executive management		
Salaries and bonuses	$ 1,448	$ 2,229
Share-based compensation	81	173
Board		
Director fees[(1)]	$ 659	$ 329
Special committee fees	74	-
Share-based compensation	16	484

(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 December 31, 2023, the Company had recognized an accrued liability of $247 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 for the nine months ended December 31, 2023 (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 December 31, 2023, the Company had recognized a related party receivable from The Hawthorne Collective of $122 (March 31, 2023 – $265). Please refer to Note 17 for further details regarding the Hawthorne Investments.

During the nine months ended December 31, 2023, the Company purchased cultivation materials and equipment for $141 from Hawthorne Hydroponics, an affiliate of The Hawthorne Collective, for its Chestertown cultivation and production facility (year ended March 31, 2023 – $1,208). 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 nine months ended December 31, 2023, the Company recognized lease payments of $2,215 to KDBF, the owner of the Chestertown facility and two of Etain's retail dispensaries in New York (year ended March 31, 2023 – $2,035). The lease agreements between the Company and KDBF were negotiated at market terms.

27. CAPITAL MANAGEMENT

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

The Company manages its capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares or debt to maintain or adjust its capital structure. Please refer to Note 18 for additional details on share capital.

As at December 31, 2023, total managed capital was $151,445 (March 31, 2023 – $206,208), comprised of shareholders' equity of $42,121 (March 31, 2023 – $108,847) and interest-bearing debt of $109,324 (March 31, 2023 – $97,361). As at December 31, 2023, the Company was not subject to any externally-imposed capital requirements (March 31, 2023 – not subject).

There were no changes to the Company's approach to capital management during the nine months ended December 31, 2023.

28. 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, lease liabilities (Note 15), provision liability (Note 16), and the Convertible Notes (Note 17). As at December 31, 2023, the Company also had commitments related to the Excess Project Costs (Note 19). Please refer to the referenced notes herein for additional details on the known or estimated timing of the payments related to these financial obligations.

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 accounts receivable and other receivables. The Company is exposed to credit-related losses in the event of default by the counterparties. The Company has provided financing and upfront capital to investees pursuant to its previous business as a venture capital firm and has evaluated and monitored counterparty credit to mitigate credit risk; however, as at December 31, 2023, all previously-held credit investments in its legacy portfolio investees have been disposed or written off.

The Company recognizes a provision for 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.

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

The following table presents a summary continuity schedule for the Company's provision for ECLs:

	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Interest and royalty receivable ECL – opening balance	**$ 956**	**$ 682**
Change in provision	1,098	328
Write-offs charged against provision	(2,101)	-
Effects of FX	47	(54)
Interest and royalty receivable ECL – ending balance	**$ -**	**$ 956**

The Company's Canadian dollar cash deposits are held with a large reputable credit union. While Canadian dollar deposits exceed the CDIC insurance coverage thresholds, the Company considers the bank's risk of default to be remote. The Company's U.S. dollar cash deposits are held with FDIC-insured U.S. financial institutions in good standing with regulatory authorities. The Company holds its material cash deposits using insured cash sweep programs, whereby these deposits are effectively wholly FDIC-insured.

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 December 31, 2023, 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.

Fair values

Financial instruments measured at fair value in 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, income tax receivable, other receivables, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

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

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

The following table provides information about how the fair values of the Company's other financial instruments were determined as at December 31, 2023:

Financial assets at FVTOCI				
Instruments	**Fair value as at Dec. 31, 2023**	**Entity and financial asset**	**Fair value hierarchy and valuation technique**	**Key inputs**
Equities	$ 3,547	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 ($7.49)
	1,886	Headset preferred shares	**(Level 3):** Market approach – comparable public companies: based on market multiples for publicly-traded vertical software-as-a-service companies applied to measures of Headset's historical and projected revenue, adjusted for FX gains/losses	*Key observable inputs:* • Historical revenue *Key unobservable inputs:* • Projected revenue • Revenue multiples (4.15x to 5.85x)
	8,072	ZeaKal preferred shares	**(Level 3):** Market approach – comparable public companies: based on changes in market valuations for publicly-traded agriculture-technology companies applied to measures of ZeaKal's implied enterprise value from a June 2021 secondary share sale, adjusted for FX gains/losses	*Key observable inputs:* • Secondary sale price • Total shares outstanding • Comparable company valuations and changes over time *Key unobservable inputs:* • Change in ZeaKal's enterprise value since the time of the June 2021 secondary share sale
Total FVTOCI	**$ 13,505**			

(1) As at December 31, 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 December 31, 2023, the total fair values by fair value hierarchy level were as follows:

Financial assets

- Level 1: $nil (March 31, 2023 – $152)
- Level 2: $nil (March 31, 2023 – $nil)
- Level 3: $13,505 (March 31, 2023 – $18,900)

No transfers between fair value levels occurred during the nine months ended December 31, 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:

- Market approach – most recent financing: Application of the equity or enterprise value implied by the most recent financing involving an investee's equity, adjusted for changes in valuations of comparable public companies since the time of that financing, if applicable, with consideration of the following inputs:

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

  - Valuation implied by most recent financing: An increase in this input would result in an increase in fair value.
  - Changes in valuations for comparable companies: An increase in this input would result in an increase in fair value.
- Market approach – comparable company multiples: Application of trading multiples observed for comparable public companies to certain financial metrics of investees to estimate the fair value of certain investments in the Company's portfolio, with consideration of the following inputs:
  - Projected revenues: An increase in this input would result in an increase in fair value.
  - Trading multiples: An increase in this input would result in an increase 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 FVTOCI, and would not have had a material impact on cash flows from operations.

Investee	Instrument	Input	Assumption	Change	Impact
BioLumic	Preferred shares	Share price	$7.49	- 10.0%	$ (354)
Headset	Preferred shares	Revenue multiples	4.1x to 5.9x	- 1.0x	$ (151)
ZeaKal	Preferred shares	Share price	$32.43	- 10.0%	$ (807)

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 $739. 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 $739. 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.

29. SUBSEQUENT EVENTS

Effective January 1, 2024, the Company completed a vertical short-form amalgamation with its wholly owned subsidiary RCC pursuant to Section 177(1) of the *Business Corporations Act* (Ontario) and continued under the name "RIV Capital Inc.".

On February 14, 2024, Etain LLC opened its first co-located adult-use and medical dispensary in White Plains, New York. In connection with the opening of the Company's first adult-use dispensary, the first Special License Fee payment of $5,000 was made to the OCM on January 26, 2024.