RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

(In United States Dollars)

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

RIV CAPITAL INC.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US $000's)	Notes	As at March 31, 2024	As at December 31, 2023
Assets			
Current assets			
Cash and cash equivalents	4	$ 65,861	$ 81,887
Accounts receivable		48	87
Inventory	5	12,651	10,408
Biological assets	6	879	750
Income tax receivable	19	3,492	3,681
Prepaid expenses and deposits		807	1,212
Other current assets		16	221
		83,754	**98,246**
Right-of-use assets, net	7	13,263	13,277
Property, plant, and equipment, net	7	13,070	10,820
Intangible assets, net	8	79,513	80,142
Other investments	10, 23	12,775	13,505
Other long-term assets	11	2,778	3,033
Deferred tax assets		69	54
		121,468	**120,831**
Total assets		**$ 205,222**	**$ 219,077**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	$ 5,768	$ 8,528
Income tax payable	19	60	-
Deferred revenue		33	-
Lease liability - current	11	1,325	1,320
Short term provision liability	12	4,795	9,755
		11,981	**19,603**
Lease liability - non-current	11	13,539	13,380
Deferred tax liabilities	19	22,334	25,219
Long term provision liability	12	9,183	9,148
Convertible notes	13	110,383	109,324
Other long-term liabilities		276	282
		155,715	**157,353**
Total liabilities		**167,696**	**176,956**
Shareholders' equity			
Share capital	14	209,037	209,038
Contributed surplus		45,686	45,686
Reserves		77,557	77,523
Accumulated other comprehensive income		94,077	93,713
Deficit		(388,831)	(383,839)
Total shareholders' equity		**37,526**	**42,121**
Total liabilities and shareholders' equity		**$ 205,222**	**$ 219,077**

Commitments and contingencies (Note 15)
Subsequent events (Note 24)

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in US $000's, except for per share amounts)	Notes	Three months ended March 31, 2024	March 31, 2023
Revenue, net	16	$ 2,138	$ 1,728
Cost of goods sold		1,889	1,596
Gross profit excluding fair value items		**249**	**132**
Unrealized gain on changes in fair value of biological assets	6	353	82
Realized fair value amounts included in inventory sold		11	(2)
Gross profit		**613**	**212**
Operating expenses			
Selling, general, and administrative expenses	17	6,199	5,332
Operating loss		**(5,586)**	**(5,120)**
Other income (loss)			
Accretion and interest expense	11,12,13	(3,919)	(3,274)
Foreign exchange gain (loss)	4	1,298	(37)
Litigation settlement expense	18	-	(16,014)
Share of loss from associates	9	-	(659)
Impairment of associates	9	-	(207)
Net change in fair value of financial assets at fair value through profit or loss	10	-	(60)
Other income, net	4	685	814
Loss before taxes		**(7,522)**	**(24,557)**
Income tax recovery	19	(2,530)	(987)
Net loss		**$ (4,992)**	**$ (23,570)**
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 $29 (2023 - $(176))	10	(471)	(1,160)
Other comprehensive income subsequently reclassified to net loss			
Foreign currency translation adjustment		835	32
Total comprehensive loss		**$ (4,628)**	**$ (24,698)**
Net loss per share - basic	20	**$ (0.04)**	**$ (0.15)**
Net loss per share - diluted	20	**$ (0.04)**	**$ (0.15)**

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US $000's)	Notes		Three Months Ended March 31, 2024		March 31, 2023
Cash flows used in operating activities					
Net loss		$	(4,992)	$	(23,570)
Adjustments for non-cash items:					
Unrealized gain on changes in fair value of biological assets	6		(353)		(82)
Realized fair value amounts included in inventory sold			(11)		2
Inventory write-down			410		203
Share-based compensation expense	14,17		54		136
Depreciation and amortization	17		458		334
Accretion and interest expense	11,12,13		3,919		3,274
Foreign exchange (gain) loss	4		(1,298)		37
Share of loss from associates	9		-		659
Impairment of associates	9		-		207
Net change in fair value of financial assets at fair value through profit or loss	10		-		60
Change in provision for credit losses			-		1
Deferred income tax recovery	19		(2,666)		(715)
Changes in working capital	21		(54)		(1,129)
Net cash used in operating activities before income taxes			(4,533)		(20,583)
Income taxes received (paid), net	19		37		(150)
Net cash used in operating activities		**$**	**(4,496)**	**$**	**(20,733)**
Cash flows used in investing activities					
Investment in short term investments			-		(20,392)
Purchase of property, plant, and equipment	7		(5,664)		(2,027)
Purchase of intangible assets	8		(5,008)		-
Investment in other long-term assets	11		(19)		(16)
Cash consideration paid in business acquisitions, net of cash acquired			-		(147)
Net cash used in investing activities		**$**	**(10,691)**	**$**	**(22,582)**
Cash flows used in financing activities					
Shares repurchased and cancelled pursuant to settlement agreement	18		-		(3,986)
Payment of lease principal	11		(679)		(558)
Net cash used in financing activities		**$**	**(679)**	**$**	**(4,544)**
Net decrease in cash		$	(15,866)	$	(47,859)
Effect of foreign exchange rate movements on cash held			(160)		(274)
Cash, beginning of period			81,887		125,601
Cash, end of period		**$**	**65,861**	**$**	**77,468**

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US $000's, except for share amounts)	Number of Class A Common Shares	Share capital	Contributed surplus	Reserves: Share-based compensation	Reserves: Convertible notes	Deficit	Accumulated other comprehensive income	Shareholders' equity
Balance at March 31, 2023	**135,617,313**	**$ 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**
Balance at December 31, 2023	**136,170,638**	**$ 209,038**	**$ 45,686**	**$ 13,990**	**$ 63,533**	**$ (383,839)**	**$ 93,713**	**$ 42,121**
Share-based compensation (options)	-	-	-	15	-	-	-	15
Share-based compensation (performance share units)	-	-	-	15	-	-	-	15
Share-based compensation (deferred share units)	-	-	-	4	-	-	-	4
Change in deferred taxes – share issuance costs	-	(1)	-	-	-	-	-	(1)
Net loss	-	-	-	-	-	(4,992)	-	(4,992)
Other comprehensive loss	-	-	-	-	-	-	(471)	(471)
Foreign currency translation adjustment	-	-	-	-	-	-	835	835
Balance at March 31, 2024	**136,170,638**	**$ 209,037**	**$ 45,686**	**$ 14,024**	**$ 63,533**	**$ (388,831)**	**$ 94,077**	**$ 37,526**

1. DESCRIPTION OF BUSINESS

RIV Capital Inc. (the "Company" or "RIV Capital") is the direct parent company of RIV Capital US Corporation and exercises financial control over Etain, LLC ("Etain LLC"). RIV Capital is a publicly-traded corporation listed on the Canadian Securities Exchange under the trading symbol "RIV". RIV Capital is an 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 United States ("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 13 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 unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim consolidated financial statements, including International Accounting Standard ("IAS") 34*, Interim Financial Reporting* ("IAS 34").

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on May 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 Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments and biological assets that are measured at fair value as detailed in the Company's accounting policies.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 6, 10, 13, and 23 for fair value considerations.

(c) Basis of preparation

The Interim Financial Statements were prepared in accordance with IAS 34 following the same accounting policies and methods of computation as were followed in the preparation of the audited annual consolidated financial statements as at and for the nine months ended December 31, 2023 (the "Annual Financial Statements"). Material accounting policies that became relevant to the Company subsequent to December 31, 2023, have been disclosed in Note 3.

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

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

(d) 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, the comparative period presented in these Interim Financial Statements is the three months ended March 31, 2023, which has not previously been reported in historical unaudited condensed interim consolidated financial statements published by the Company.

(e) Critical accounting judgements, estimates, and assumptions

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

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

(f) Basis of consolidation

The Interim 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.

As at March 31, 2024, the Company controlled for financial reporting purposes and consolidated the following active entities (as at March 31, 2024, the Company did not control any of its other investees):

Name of company	Place of incorporation / operation	Basic ownership %	Functional currency
RIV Capital[(1)]	Canada	n/a	Canadian dollar
2683922 Ontario Inc.	Canada	100%	Canadian dollar
RIV Capital US Corporation[(2)]	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[(3)]	U.S.	0%	U.S. dollar
Etain LLC[(4)]	U.S.	0%	U.S. dollar

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

(2) 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.

(3) 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.

(4) The Company, through its subsidiaries, has entered into a number of agreements with Etain LLC that provide support services to Etain LLC and that prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the expected economic benefits that the Company expects to derive from the relationship with Etain LLC.

3. CHANGES IN MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Changes in previously applicable accounting policies or newly applicable accounting policies

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).

The Company recognizes revenue from the sale of cannabis in both the medical and adult-use New York cannabis markets, to both retail and wholesale customers. 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 retail customer at either its medical or adult-use co-located cannabis dispensaries, or delivery to a medical or adult-use wholesale customer. Revenue is presented net of discounts and sales tax (if applicable).

Local authorities will often impose special taxes on the sale or production of cannabis products. In the medical cannabis market in New York, local authorities impose an excise tax on the sale of medical cannabis products to retail customers. 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. In the adult-use cannabis market in New York, local authorities impose a potency-based tax on the production of adult-use cannabis products; the calculation of potency tax is applied across the various flower, concentrate, and edible cannabis formats and is payable when a cannabis company sells internally-produced products to retail or wholesale customers.

The medical excise tax and adult-use potency tax are borne by the Company and are not taxes on the patient or customer. As such, medical excise tax and adult-use potency-based tax are included in revenue. The subtotal "Total revenue, net" in the interim condensed consolidated statements of loss and comprehensive loss represents the Company's revenue as defined by IFRS, less the medical excise taxes and adult-use potency-based taxes.

The Company also 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.

(b) Accounting standards and amendments issued and adopted

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's adoption of the IAS 1 amendment did not have a material impact on the Interim Financial Statements.

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

(c) Accounting standards and amendments issued but not yet adopted

Certain other new amendments and interpretations have been published that are effective in future annual reporting periods that are either not reasonably expected to be relevant for the Company or are not anticipated to have a material impact on results. The Company intends to adopt these standards when they become effective.

4. CASH AND CASH EQUIVALENTS

As at March 31, 2024, the Company held $64,275 in interest-earning deposits with a maturity of 90 days or less that can be accessed at any time without penalty (December 31, 2023 – $81,012).

During the three months ended March 31, 2024, the Company recognized interest income of $765 on its interest-earnings deposits (three months ended March 31, 2023 - $864).

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

During the three months ended March 31, 2024, the Company recognized a net unrealized gain on foreign-denominated cash deposits of $1,289 (three months ended March 31, 2023 – net unrealized loss of $36).

5. INVENTORY

The following table presents a summary of the carrying values of inventory as at March 31, 2024, and December 31, 2023:

	As at Mar. 31, 2024	As at Dec. 31, 2023
Work-in-progress		
Wet and dried bud and trim	$ 2,431	$ 2,120
Intermediate oils and oil solutions	5,537	4,746
Finished goods	4,662	3,268
Total cannabis inventory	**$ 12,630**	**$ 10,134**
Packaging and miscellaneous	538	461
Less: inventory reserve	(517)	(187)
Total inventory	**$ 12,651**	**$ 10,408**

6. BIOLOGICAL ASSETS

The following table presents a summary continuity schedule for the Company's carrying value of biological assets:

	Three months ended Mar. 31, 2024	Nine months ended Dec. 31, 2023
Biological assets – opening balance	**$ 750**	**$ 274**
Cost incurred prior to harvest to facilitate biological transformation (i.e. capitalized cultivation costs)	1,169	3,171
Unrealized gain (loss) on fair value of biological assets	353	(739)
Transferred to inventory upon harvest	(1,393)	(1,956)
Biological assets – ending balance	**$ 879**	**$ 750**

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

	As at Mar. 31, 2024	As at Dec. 31, 2023
Harvest yield of whole flower	87 grams / plant	72 grams / plant
Harvest yield of trim	87 grams / plant	72 grams / plant
Selling price of whole flower	$3.30 / gram	$3.70 / gram
Selling price of trim	$1.00 / gram	$1.70 / 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 March 31, 2024:

Assumption	Change	Impact
Harvest yield	- 5.0% / + 5.0%	$ (29) / $ 29
Selling price	- 5.0% / + 5.0%	$ (44) / $ 44

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

7. 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, 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 foreign exchange ("FX")	-	-	-	-	10	10
Balance – Dec. 31, 2023	**$ 5,149**	**$ 2,550**	**$ 3,595**	**$ 85**	**$ 16,107**	**$ 27,486**
Additions	1,097	523	752	126	472	2,970
Derecognitions	-	-	-	-	-	-
Effects of FX	-	-	-	-	(5)	(5)
Balance – Mar. 31, 2024	**$ 6,246**	**$ 3,073**	**$ 4,347**	**$ 211**	**$ 16,574**	**$ 30,451**
ACCUMULATED DEPRECIATION						
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**
Depreciation	151	90	-	7	483	731
Derecognitions	-	-	-	-	-	-
Effects of FX	-	-	-	-	(2)	(2)
Balance – Mar. 31, 2024	**$ 415**	**$ 348**	**$ -**	**$ 44**	**$ 3,311**	**$ 4,118**
NET BOOK VALUE						
Dec. 31, 2023	**$ 4,885**	**$ 2,292**	**$ 3,595**	**$ 48**	**$ 13,277**	**$ 24,097**
Mar. 31, 2024	**5,831**	**2,725**	**4,347**	**167**	**13,263**	**26,333**

During the three months ended March 31, 2024, the Company capitalized to inventory depreciation and right-of-use asset amortization of $501 (three months ended March 31, 2023 – $298).

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

8. 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, 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**
Additions	-	-	-	8	8
Derecognition	(88)	-	-	-	(88)
Effects of FX	-	-	-	(3)	(3)
Balance – Mar. 31, 2024	**$ 116,524**	**$ 476**	**$ 7,900**	**$ 93**	**$ 124,993**
ACCUMULATED AMORTIZATION					
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**
Amortization	375	59	109	5	548
Impairment	-	-	-	-	-
Derecognition	-	-	-	-	-
Effects of FX	-	-	-	(2)	(2)
Balance – Mar. 31, 2024	**$ 40,979**	**$ 89**	**$ 4,359**	**$ 53**	**$ 45,480**
NET BOOK VALUE					
Dec. 31, 2023	**$ 76,008**	**$ 446**	**$ 3,650**	**$ 38**	**$ 80,142**
Mar. 31, 2024	**75,545**	**387**	**3,541**	**40**	**79,513**

During the three months ended March 31, 2024, the Company capitalized to inventory intangible asset amortization of $320 (three months ended March 31, 2023 – $144).

	Three months ended Mar. 31, 2024	Nine months ended Dec. 31, 2023
Goodwill – opening balance	**$ -**	**$ 6,031**
Impairment of goodwill	-	(6,031)
Goodwill – ending balance	**$ -**	**$ -**

Indicator-based impairment testing

As at March 31, 2024, the Company determined that no new indicators of impairment were present for its Etain cash generating unit beyond those considered as at December 31, 2023.

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

9. ASSOCIATES

The following table presents changes in the Company's equity method investees:

	LeafLink Intl.	NOYA	Total[(1)]
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	**$ -**	**$ -**	**$ -**
Balance – Mar. 31, 2024	**$ -**	**$ -**	**$ -**

(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.

Certain previously-held investments in associates that were accounted for using the equity method had been disposed of prior to December 31, 2023, and all remaining investments in associates that were accounted for using the equity method had been written down to $nil through impairment charges and the recognition of the Company's share of the respective associates' net loss.

10. OTHER INVESTMENTS

The following table presents changes in the Company's other investments, including financial assets measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVTOCI"):

	Total FVTPL	Total FVTOCI
Balance – Mar. 31, 2023	**$ 3,991**	**$ 15,061**
Net change in fair value	(2,063)	(1,892)
Conversions/dispositions	(1,974)	-
Effects of FX	46	336
Balance – Dec. 31, 2023	**$ -**	**$ 13,505**
Net change in fair value	-	(442)
Conversions/dispositions	-	-
Effects of FX	-	(288)
Balance – Mar. 31, 2024	**$ -**	**$ 12,775**

Please refer to Note 23 for additional details on valuation methodologies and key inputs and assumptions for these financial assets. As at March 31, 2024, all of the Company's previously-held investments in financial assets at FVTPL had been disposed.

11. LEASE LIABILITY

Current Finance Leases

The Company's lease liability as at March 31, 2024, related to the following leased properties:

- Cultivation and production facility in Chestertown, New York;
- Three operational medical cannabis retail dispensaries across the state of New York,
- One operational co-located adult-use and medical cannabis retail dispensary in White Plains, New York;
- One vacated retail space in Yonkers, New York, that terminates in April 2024;
- Corporate head office in Toronto, Ontario; and
- Corporate office in Armonk, New York.

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

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

	Three months ended Mar. 31, 2024	Nine months ended Dec. 31, 2023
Lease liability – opening balance	**$ 14,700**	**$ 12,955**
Lease additions	-	2,286
Lease remeasurement	472	169
Lease payments	(679)	(1,831)
Interest expense	375	1,119
Effects of FX	(4)	2
Lease liability – ending balance	**$ 14,864**	**$ 14,700**
Lease liability – current portion	$ 1,325	$ 1,320
Lease liability – non-current portion	13,539	13,380

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

	As at Mar. 31, 2024
No later than one year	$ 2,774
Later than one year; not later than five years	10,069
Later than five years	9,525
Total(1)	**$ 22,368**

(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 March 31, 2024. Please refer to Note 15 for additional details on the Company's commitments related to the Flagship Facility.

Flagship Facility

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 March 31, 2024, the Company had made cumulative Tenant Cost Contributions of $2,244 (December 31, 2023 – $2,233), of which $11 were made during the three months ended March 31, 2024 (three months ended March 31, 2023 – $nil). 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 15 for additional details on the Company's commitments related to the Flagship Facility.

12. 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.

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

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.

As at March 31, 2024, in accordance with *IAS 37, Provisions, Contingent Liabilities, and Contingent Assets*, the Company recognized a provision liability equal to the present value of the remaining Special License Fee payments based on management's estimates for the expected dates of payment. The following table provides additional information relating to the Company's provision liability:

	Three months ended Mar. 31, 2024	**Nine months ended Dec. 31, 2023**
Provision liability – opening balance	**$ 18,903**	**$ -**
Present value upon initial recognition	-	18,862
Accretion expense	163	41
Payments of Special License Fee	(5,000)	-
Remeasurement	(88)	-
Provision liability – ending balance	**$ 13,978**	**$ 18,903**
Provision liability – current portion	$ 4,795	$ 9,755
Provision liability – non-current portion	9,183	9,148

13. 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
Measurement upon initial recognition:		
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, 2023	**$ 83,943**	**$ 13,418**	**$ 97,361**
Accretion expense	8,329	1,425	9,754
Effects of FX	1,903	306	2,209
Balance – Dec. 31, 2023	**$ 94,175**	**$ 15,149**	**$ 109,324**
Accretion expense	2,884	497	3,381
Effects of FX	(2,000)	(322)	(2,322)
Balance – Mar. 31, 2024	**$ 95,059**	**$ 15,324**	**$ 110,383**

14. 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.

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

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, 2023	**135,617,313**
Redemption of RSUs (as defined herein)	142,778
Redemption of PSUs (as defined herein)	410,547
Balance – Dec. 31, 2023	**136,170,638**
Balance – Mar. 31, 2024	**136,170,638**

Share-based compensation

The characteristics and terms of the Company's long-term incentive plan ("LTIP"), share unit plan for non-employee directors (the "Share Unit Plan"), and Management Incentive Plan (the "MIP") remain consistent with those disclosed in the Annual Financial Statements.

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

	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Stock options	$ 15	$ (14)
Restricted share units ("RSUs")	-	-
Performance share units ("PSUs")	15	45
Deferred share units ("DSUs")	4	105
MIP	20	-
Total share-based compensation	**$ 54**	**$ 136**

<u>Stock options</u>

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

	As at Mar. 31, 2024	As at Dec. 31, 2023
Outstanding stock options		
Number outstanding	2,351,500	2,451,500
Weighted average exercise price	C$ 1.15	C$ 1.15
Weighted average remaining life	2.7 years	3.1 years
Exercisable stock options		
Number outstanding	1,006,500	1,031,500
Weighted average exercise price	C$ 2.34	C$ 2.39
Weighted average remaining life	1.4 years	1.6 years

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

The following assumptions were used in determining the fair value of new stock option grants during the nine months ended December 31, 2023 (there were no stock option grants during the three months ended March 31, 2024):

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

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

	Number of options	**Weighted avg. exercise price**
Balance – Mar. 31, 2023	**5,664,834**	**C$ 2.95**
Granted	1,290,000	0.13
Forfeited	(120,000)	0.14
Expired	(4,383,334)	3.21
Balance – Dec. 31, 2023	**2,451,500**	**C$ 1.15**
Forfeited	(75,000)	0.14
Expired	(25,000)	4.39
Balance – Mar. 31, 2024	**2,351,500**	**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, 2023	**561,900**	**C$ 0.80**
Granted	131,127	0.13
Redeemed	(142,778)	0.44
Balance – Dec. 31, 2023	**550,249**	**C$ 0.73**
Balance – Mar. 31, 2024	**550,249**	**C$ 0.73**

As at March 31, 2024, there were 90,849 outstanding RSUs that carried an automatic redemption date of March 31, 2024. However, due to the fact that this automatic redemption date fell on a non-trading day, the automatic redemption was postponed to the following trading day, being April 1, 2024.

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, 2023	**1,550,655**	**C$ 0.93**
Redeemed	(410,547)	1.01
Balance – Dec. 31, 2023	**1,140,108**	**C$ 0.90**
Forfeited	(17,000)	1.48
Balance – Mar. 31, 2024	**1,123,108**	**C$ 0.89**

(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	**-**	**C$ -**
Granted	218,540	0.14
Balance – Dec. 31, 2023	**218,540**	**C$ 0.14**
Granted	54,635	0.09
Balance – Mar. 31, 2024	**273,175**	**C$ 0.13**

MIP

The following assumptions were considered in determining the fair value of the MIP as at March 31, 2024, and December 31, 2023, using Geometric Brownian Motion within a Monte Carlo simulation:

	As at Mar. 31, 2024	As at Dec. 31, 2023
Share price	C$ 0.10	C$ 0.10
Shares outstanding	136,170,638	136,170,638
Credit-adjusted risk-free interest rate	13.7% – 14.4%	13.7% – 14.4%
Expected annualized volatility	70%	70%
Term (years)	0.6 – 2.6	0.6 – 2.6
Expected forfeiture rate	0%	0%

The following table presents a summary continuity schedule for the Company's MIP liability:

	MIP Liability
Balance – Mar. 31, 2023	**$ -**
Share-based compensation expense	29
Balance – Dec. 31, 2023	**$ 29**
Share-based compensation expense	20
Effects of FX	(1)
Balance – Mar. 31, 2024	**$ 48**

15. COMMITMENTS AND CONTINGENCIES

Financial obligations

As at March 31, 2024, 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	$ 5,768	$ 5,768	$ -	$ -	$ -
Lease liability(1)	22,368	2,774	5,556	4,513	9,525
Tenant Cost Contributions(2)	2,240	2,240	-	-	-
Convertible Notes(3)	168,850	-	-	168,850	-
Total financial obligations	**$ 199,226**	**$ 10,782**	**$ 5,556**	**$ 173,363**	**$ 9,525**

(1) Based on minimum lease payments related to the Company's cultivation and production facility in Chestertown, New York; three operational medical cannabis retail dispensaries in New York; one operational medical and adult-use co-located cannabis retail dispensary in White Plains, New York; one vacated retail space in Yonkers, 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 March 31, 2024. Please see Note 11 for additional details.

(2) Based on contractual capital contributions for the Flagship Facility. Please see Note 11 for additional details.

(3) Assumes the principal balance as at March 31, 2024, 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 March 31, 2024. Please see Note 13 for additional details.

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

The table above, which relates to the Company's financial obligations that are of determinable timing and amount, do not include the remaining payments for the Special License Fee discussed in Note 12 and certain remaining payments for the Excess Project Costs (as defined herein and discussed below), as the timing and/or amount for these items is only an estimate as at March 31, 2024. The remaining payments for the Special License Fee are estimated to be payable as follows: $5,000 in early 2025, $5,000 in late 2025, and $5,000 in 2026. The remaining payments for the Excess Project Costs (beyond what is already reflected in "Accounts payable and accrued liabilities") are estimated to be $6,562 and are estimated to be payable over the next 12 months.

Commitments

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"). As at March 31, 2024, total Excess Project Costs were estimated to be $10,743.

As at March 31, 2024, the Company had made cumulative payments for Excess Project Costs of $4,181 (December 31, 2023 – $nil), of which $4,181 were made during the three months ended March 31, 2024 (three months ended March 31, 2023 – $nil). The payments made during the three months ended March 31, 2024, included settlement of $3,015 that was recorded within "Accounts payable and accrued liabilities" in the consolidated statements of financial position as at December 31, 2023.

As at March 31, 2024, the Company had not recognized any liability in the consolidated statements of financial position related to the Excess Project Costs (December 31, 2023 – $3,015).

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). 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 $6,562 of Excess Project Costs. The Company's payments related to Excess Project Costs are in addition to the Tenant Cost Contributions described above.

16. REVENUE

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

	Three months ended Mar. 31, 2024	**Three months ended Mar. 31, 2023**
Cannabis retail revenue(1)	$ 2,105	$ 1,552
Cannabis wholesale revenue(1)	95	231
Non-medicated retail revenue	50	54
Excise and potency-based taxes	(112)	(109)
Total revenue, net	**$ 2,138**	**$ 1,728**

(1) Presented net of discounts.

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

17. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

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

	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Personnel costs (excluding share-based compensation)	$ 2,295	$ 1,804
Legal expenses and advisory fees (excluding transaction and restructuring)	385	771
Insurance premiums	253	636
Non-inventoriable depreciation and amortization of fixed and intangible assets	252	183
Director fees (excluding share-based compensation)	241	120
Selling and marketing expenses	208	104
Non-inventoriable right-of-use asset amortization	206	151
Severance expense	112	131
Non-inventoriable lease expenses	78	52
Audit-related fees	77	243
Investor relations and other public company expenses	70	166
Share-based compensation	54	136
Transaction advisory expenses	1,656	47
Other	312	788
Total selling, general, and administrative expenses	**$ 6,199**	**$ 5,332**

18. 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. 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 three months 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 three months ended March 31, 2023.

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

19. INCOME TAXES

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

	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Current income tax expense (recovery)	$ 136	$ (272)
Deferred income tax expense (recovery)	(2,666)	(715)
Income tax expense (recovery)	**$ (2,530)**	**$ (987)**

During the three months ended March 31, 2024, the Company recognized deferred income tax expense of $29 directly within other comprehensive income (three months ended March 31, 2023 – deferred income tax recovery of $177). No current income tax has been recognized directly within other comprehensive income for the three months ended March 31, 2024 or 2023.

During the three months ended March 31, 2024, the Company received net income tax refunds of $37 (three months ended March 31, 2023 – net income tax paid of $150). As at March 31, 2024, the Company recognized an income tax receivable of $3,492 in its consolidated statements of financial position, which reflects refunds expected to be received by certain of the Company's Canadian subsidiaries in respect of the taxation period ended December 31, 2023.

As at March 31, 2024, the Company had recognized a deferred tax asset of $69 primarily related to temporary differences the Company expects to reverse in the future to reduce U.S. federal income taxes payable (December 31, 2023 – $54).

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

20. EARNINGS PER SHARE

The following table presents a summary of the Company's earnings per share ("EPS"):

	Three months ended Mar. 31, 2024			Three months ended Mar. 31, 2023		
	Net loss	**Weighted avg. # of shares**	**EPS**	**Net loss**	**Weighted avg. # of shares**	**EPS**
Basic	$ (4,992)	136,170,638	$ (0.04)	$ (23,570)	155,423,045	$ (0.15)
Dilutive securities		-			-	
Diluted	$ (4,992)	136,170,638	$ (0.04)	$ (23,570)	155,423,045	$ (0.15)

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Change in accounts receivable	$ 39	$ (83)
Change in inventory	(1,821)	(504)
Change in biological assets	224	188
Change in income tax receivable	136	(271)
Change in other current assets	205	(94)
Change in prepaid expenses and deposits	405	(1,569)
Change in accounts payable and accrued liabilities	725	1,196
Change in deferred revenue	33	8
Net impact of changes in working capital	**$ (54)**	**$ (1,129)**

During the three months ended March 31, 2024, the Company received a net income tax refund of $37 (three months ended March 31, 2023 – net income tax paid of $150). The Company did not make any payments of cash interest during the three months ended March 31, 2024 (three months ended March 31, 2023 – $nil).

22. 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 March 31, 2024.

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

	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Executive management		
Salaries and accrued bonuses	$ 514	$ 626
Share-based compensation	30	(8)
Board		
Director fees[(1)]	$ 219	$ 119
Special committee fees	22	-
Share-based compensation	4	103

(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 March 31, 2024, the Company had recognized an accrued liability of $6 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 three months ended March 31, 2024 (December 31, 2023 – $247). 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 March 31, 2024, the Company had recognized a related party receivable from The Hawthorne Collective of $2 (December 31, 2023 – $122). Please refer to Note 13 for further details regarding the Hawthorne Investments.

During the three months ended March 31, 2024, the Company purchased cultivation materials, supplies, and equipment for $85 from Hawthorne Hydroponics, an affiliate of The Hawthorne Collective, for its Chestertown cultivation and production facility (three months ended March 31, 2023 – $310). These purchases were made on market terms. The Company anticipates making additional cultivation materials, supplies, and equipment purchases from affiliates of The Hawthorne Collective as part of its ongoing operation and development of the Chestertown facility and the Flagship Facility. The Company expects any such additional purchases to be made on market terms.

Transactions with KDBF Ventures, LLC ("KDBF")

During the three months ended March 31, 2024, the Company recognized lease payments of $654 to KDBF, the owner of the Chestertown facility and two of Etain's retail dispensaries in New York (three months ended March 31, 2023 – $605). The lease agreements between the Company and KDBF were negotiated at market terms.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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, accounts receivable, income tax receivable, other receivables, accounts payable and accrued liabilities, and income tax payable approximate their respective fair values due to their short-term nature.

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

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

The following table provides information about how the fair values of the Company's other financial instruments were determined as at March 31, 2024:

Financial assets at FVTOCI				
Instruments	**Fair value as at Mar. 31, 2024**	**Entity and financial asset**	**Fair value hierarchy and valuation technique**	**Key inputs**
Equities	$ 3,691	BioLumic preferred shares	**(Level 3):** Market approach – most recent financing: based upon per share valuation implied by BioLumic's April 2024 equity financing, adjusted for FX gains/losses	*Key observable inputs:* • Financing price ($7.70) • FX rate (1.35) *Key unobservable inputs:* • Share price ($7.70)
	1,921	Headset preferred shares	**(Level 3):** Market approach – comparable public companies: based on market multiples for publicly-traded vertical software-as-a-service companies applied to measures of Headset's historical and projected revenue, adjusted for FX gains/losses	*Key observable inputs:* • Historical revenue *Key unobservable inputs:* • Projected revenue • Revenue multiples (4.15x to 5.85x)
	7,163	ZeaKal preferred shares	**(Level 3):** Market approach – comparable public companies: based on an average of two approaches: (1) changes in market valuations for publicly-traded agriculture-technology companies applied to measures of ZeaKal's implied enterprise value from a June 2021 secondary share sale, adjusted for FX gains/losses; and (2) return on invested capital multiples for target companies with similar characteristics	*Key observable inputs:* • Secondary sale price • Total shares outstanding • Comparable company valuations and changes over time • Total historical capital raised • Comparable company returns on invested capital in M&A transactions *Key unobservable inputs:* • Change in ZeaKal's enterprise value since the time of the June 2021 secondary share sale • Discount for lack of marketability
Total FVTOCI	**$ 12,775**			

(1) As at March 31, 2024, 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 March 31, 2024, the total fair values by fair value hierarchy level were as follows:

Financial assets

- Level 1: $nil (December 31, 2023 – $nil)
- Level 2: $nil (December 31, 2023 – $nil)
- Level 3: $12,775 (December 31, 2023 – $13,505)

No transfers between fair value levels occurred during the three months ended March 31, 2024.

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 (and, in certain cases, adjusted for changes in valuations of comparable public companies since the time of that financing), 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.
  - If applicable, 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 multiples observed for comparable public companies to certain financial metrics of investees to estimate the fair value of certain financial assets, 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.
  - Return on invested capital: 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.

Entity	Financial asset	Input	Assumption	Change	Impact
BioLumic	Preferred shares	Share price	$7.70	- 10.0%	$ (366)
Headset	Preferred shares	Revenue multiples	4.1x to 5.9x	- 1.0x	$ (295)
ZeaKal	Preferred shares	Share price	$28.69	- 10.0%	$ (738)

Risk management

The Company is exposed to liquidity risk, credit risk, interest rate risk, and foreign currency risk, among other risk factors. The risk management policies and practices of the Company as at March 31, 2024, are consistent with those disclosed in the Audited Financial Statements. There have been no significant changes in these policies and practices during the interim period.

Liquidity risk

As at March 31, 2024, the Company's financial liabilities are comprised of accounts payable and accrued liabilities, lease liabilities (Note 11), provision liability (Note 12), and the Convertible Notes (Note 13). As at March 31, 2024, the Company also had commitments related to the Excess Project Costs (Note 15). 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

As at March 31, 2024, the Company had estimated its provision for credit losses to be $nil (December 31, 2023 – $nil).

Interest rate risk

As at March 31, 2024, 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.

Foreign currency risk

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 $564. 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 $564.

24. SUBSEQUENT EVENTS

On May 30, 2024, the Company and Cansortium Inc. ("Cansortium") announced that they had entered into a definitive arrangement agreement (the "Cansortium Arrangement Agreement") pursuant to which Cansortium will acquire all of the issued and outstanding Common Shares in exchange for common shares of Cansortium (the "Cansortium Shares") (the "Proposed Transaction").

Under the terms of the Cansortium Arrangement Agreement, RIV Capital shareholders ("RIV Capital Shareholders") will receive 1.245 Cansortium Shares in exchange for each Common Share held. Furthermore, subject to the approval of shareholders of Cansortium ("Cansortium Shareholders"), Cansortium will create a new class of non-voting exchangeable shares (the "Exchangeable Shares") that would be convertible into Cansortium Shares on a one-for-one basis, and The Hawthorne Collective will receive Exchangeable Shares in exchange for the Convertible Notes.

Upon closing of the Proposed Transaction, on a fully diluted basis, Cansortium Shareholders are expected to hold approximately 51.25% of the combined business of Cansortium and RIV Capital (the "Combined Company"), and RIV Capital Shareholders and The Hawthorne Collective, together, are expected to hold approximately 48.75% of the Combined Company. Excluding the Exchangeable Shares, Cansortium Shareholders are expected to hold approximately 66.5% of the Combined Company and RIV Capital Shareholders are expected to hold approximately 33.5% of the Combined Company.

The Proposed Transaction will require the approval of at least two-thirds of the votes cast by RIV Capital Shareholders voting at an annual general and special meeting of shareholders to consider the Proposed Transaction, which is expected to be held in the third quarter of 2024. Certain of RIV Capital's directors and officers and a significant shareholder holding an aggregate of approximately 20.2% of the Common Shares have entered into voting support agreements with Cansortium to, among other things, vote in favor of the Proposed Transaction.

Closing of the Proposed Transaction is subject to the receipt of all required court, shareholder, regulatory, and other third-party approvals, the requirement for RIV Capital to maintain a certain minimum cash balance as of a specified date prior to closing, and the satisfaction of certain other closing conditions customary in transactions of this nature, which are expected to be completed during the fourth quarter of 2024.

In connection with the Proposed Transaction, the Company has agreed to advance to Cansortium an interest-bearing bridge loan up to an aggregate principal amount of $8,975 (the "Bridge Loan"). In consideration, Cansortium has agreed to issue an unsecured convertible promissory note (the "Bridge Note") to and in favor of the Company evidencing the Bridge Loan, which will bear interest at a rate of 10.0% per annum and will mature, if not earlier converted or prepaid in accordance with its terms, on May 1, 2025. In connection with the signing of the Cansortium Arrangement Agreement, the Company will make an initial advance to Cansortium under the Bridge Loan in the amount of $3,000 on May 30, 2024.