CANOPY
RIVERS

CANOPY RIVERS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018

Date: February 13, 2020

Canopy Rivers Inc., formerly AIM2 Ventures Inc. ("AIM2"), is the parent company of Canopy Rivers Corporation ("CRC"). References in this Management's Discussion and Analysis ("MD&A") to "Canopy Rivers" or the "Company" refer to Canopy Rivers Inc. and/or its subsidiaries, as applicable. Canopy Rivers is a publicly-traded corporation, incorporated under the laws of the Province of Ontario and located at 2504 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3Y2. The Company's subordinated voting shares ("Subordinated Voting Shares") are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "RIV". As a result of its dual class share structure, the Company is controlled (as defined under the *Business Corporations Act* (Ontario) (the "OBCA")) by Canopy Growth Corporation ("CGC"), a publicly-traded corporation listed on the TSX under the trading symbol "WEED" and on the New York Stock Exchange (the "NYSE") under the trading symbol "CGC".

Canopy Rivers is a venture capital firm specializing in cannabis. The Company identifies counterparties seeking financial and/or operating support, and seeks to provide investor returns through dividends, interest, rent, royalties, and capital appreciation.

This MD&A reports on the financial condition and results of operations of Canopy Rivers for the three and nine months ended December 31, 2019 and 2018. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements (the "Interim Consolidated Financial Statements") for the three and nine months ended December 31, 2019 and 2018, including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A provides information for the three and nine months ended December 31, 2019, and up to and including February 13, 2020.

By their nature, the Interim Consolidated Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company's audited consolidated financial statements for the twelve months ended March 31, 2019, and for the 340 days ended March 31, 2018, and the notes thereto (the "Annual Consolidated Financial Statements"), and the related MD&A for the three and twelve months ended March 31, 2019 (the "Annual MD&A"), each dated July 15, 2019.

Additional information, including this MD&A, the Interim Consolidated Financial Statements, the Annual MD&A, the Annual Consolidated Financial Statements, the Company's annual information form dated July 15, 2019 (the "AIF"), and the Company's press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and also on the Company's website at www.canopyrivers.com.

The Interim Consolidated Financial Statements and this MD&A have been reviewed by the Company's audit committee (the "Audit Committee") and approved by the Company's board of directors (the "Board") on February 13, 2020.

Canopy Rivers does not engage in any unlawful United States ("U.S.") marijuana-related activities as defined in the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice").

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking information" within the meaning of applicable Canadian securities laws. All information, other than statements of historical fact, included in this MD&A that address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including things such as future business strategy, competitive strengths, goals, expansion, and growth of the Company's and the Investees' (as defined herein) businesses, operations, plans, and other matters, is forward-looking information. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes, among others, statements relating to:

- the Company's expectations regarding legislation, regulations, and licensing related to the Canadian and global cannabis markets and product offerings in Canada and internationally, including with respect to cannabis derivative products;
- the expected number of users of medical cannabis or the size of the medical cannabis market in Canada and internationally;
- the expected number of users of adult-use cannabis or the size of the adult-use cannabis market in Canada and internationally;
- the potential time frame for the implementation of legislation and related regulations regarding the production, sale, and use of hemp in the U.S. and the potential form implementation of the legislation and related regulations will take;
- the potential time frame for the implementation of legislation for a regulated medical or adult-use market, or related activities, in the U.S., and the potential form implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted in the U.S.;
- the potential time frame for the implementation of legislation for regulated medical or adult-use cannabis markets internationally and the potential form implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted by various international jurisdictions;
- international investment opportunities and the Company's ability to enter and participate in such opportunities;
- the Company's expectations with respect to its future financial and operating performance, including with respect to the impact of the Investees' operating results on non-IFRS measures that are expected to be reported by the Company, increases in operating expenses and the anticipated cash profitability of the business;
- the Company's expectations with respect to future performance, financial results, and terms of strategic initiatives, and strategic agreements;
- the Company's expectations with respect to the business activities and future financial and operating performance of its domestic and international Investees;
- the Company's expectations about the growth and future market volatility of the cannabis industry;
- future investments, business activities, and corporate development;
- expectations with respect to future expenditures and capital activities, including the ability to access the capital markets and obtain additional financing on terms acceptable to the Company, if at all; and
- statements about expected use of proceeds from fund raising activities.

Investors are cautioned that forward-looking information is not based on historical fact, but instead is based on the reasonable assumptions and estimates of management of the Company at the time they were made and involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled "Risks and Uncertainties" herein and in the section entitled "Risk Factors" in the AIF. Although the Company has attempted to identify important factors that could cause actual results to differ materially from statements contained in forward-looking information, there may be other factors that cause results to not be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and the Company does not intend or undertake any obligation to publicly revise or update any forward-looking information that is included in this MD&A, whether as a result of new information, future events, or otherwise, other than as required by applicable law.

THIRD-PARTY INFORMATION

Market and industry data used throughout this MD&A were obtained from various publicly available sources. Although the Company believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been verified due to limits on the availability and reliability of raw data, the

voluntary nature of the data gathering process, and the limitations and uncertainty inherent in any statistical survey of market size, conditions, and prospects. The Company does not make any representation as to the accuracy of such information.

CAUTIONARY NOTE REGARDING CERTAIN MEASURES OF PERFORMANCE

Adjusted EBITDA (as defined herein) is a non-IFRS measure that is not a recognized measure and that does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other entities. For a reconciliation of Adjusted EBITDA as calculated by the Company to the most directly comparable financial information presented in the Interim Consolidated Financial Statements prepared in accordance with IFRS, see "Results of Operations – Adjusted EBITDA (Non-IFRS Measure)" in this MD&A. This non-IFRS financial measure should be viewed as a supplement to, and not a substitute for, the Company's results of operations reported under IFRS.

CORPORATE STRUCTURE AND BUSINESS OVERVIEW

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

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

On September 17, 2018, the Company completed the acquisition of 100% of the issued and outstanding securities of Canopy Rivers Corporation ("CRC PrivateCo") in connection with a business combination involving the Company and CRC PrivateCo (the "Qualifying Transaction"). The Qualifying Transaction was completed by way of a "three-cornered" amalgamation pursuant to which CRC PrivateCo and 10859150 Canada Inc. ("Subco"), a wholly-owned subsidiary of the Company, amalgamated and the resulting entity became a wholly-owned subsidiary of the Company and continued under the name "Canopy Rivers Corporation".

In connection with the Qualifying Transaction, on September 14, 2018, the Company changed its name from "AIM2 Ventures Inc." to "Canopy Rivers Inc.". In addition, in connection with the Qualifying Transaction, the Company filed articles of amendment to consolidate (the "Consolidation") its existing common shares (the "Common Shares") on the basis of one post-Consolidation Common Share for every 26.565 pre-Consolidation Common Shares and to change its authorized share capital to create the Subordinated Voting Shares and a new class of multiple voting shares (the "Multiple Voting Shares" and, together with the Subordinated Voting Shares, the "Shares"), and to re-designate each outstanding post-Consolidation Common Share as a Subordinated Voting Share.

On September 9, 2019, the Company graduated from the TSXV and the Subordinated Voting Shares began trading on the TSX under the trading symbol "RIV". In conjunction with the Company's graduation to the TSX, the Subordinated Voting Shares were voluntarily delisted from the TSXV on September 9, 2019.

All of the issued and outstanding Multiple Voting Shares are held by CGC. CGC currently holds 15,223,938 Subordinated Voting Shares and 36,468,318 Multiple Voting Shares, representing approximately 26.9% of the issued and outstanding Shares and approximately 84.1% of the voting rights attached to all outstanding Shares. As of the date of this MD&A, the Company has three wholly-owned subsidiaries: CRC, a corporation existing under the *Canada Business Corporations Act*, and 2683922 Ontario Inc. and River Brands Inc. (formerly 2697688 Ontario Inc.), both of which are corporations existing under the OBCA. These wholly-owned subsidiaries are, or will be, the direct owners of the various securities in which the Company has invested.

Since its formation, the Company has engaged in strategic transactions with companies licensed under the Canadian national regulatory framework for cannabis cultivation, processing, and sale (currently, the *Cannabis Act* (Canada) and *Cannabis Regulations*, as amended (collectively, the "Cannabis Act"), for adult-use and medical cannabis and, prior to October 17, 2018, the *Access to Cannabis for Medical Purposes Regulations* (the "ACMPR") for medical cannabis), licence applicants under the Cannabis Act and ACMPR, applicants for retail distribution licences in various provinces across Canada, and ancillary businesses related to the cannabis industry. To date, Canopy Rivers has made investments through a variety of financial structures in nineteen companies (the "Investees"), including seven Investees with international operations. Bolstered by the Company's strategic relationship with, and cornerstone investment from, CGC, the Company aims to create a global business with the potential to generate a significant and sustained return on invested capital over the long-term.

CORPORATE AND INVESTMENT STRATEGY

Canopy Rivers is a venture capital firm specializing in cannabis. Domestic and international companies in the cannabis industry currently face several obstacles in securing appropriate growth capital and strategic support, and the Company's business strategy is to identify strategic counterparties seeking financial and/or operating support.

The Company's investment team of qualified financial and technical professionals carefully selects appropriate investment candidates for a variety of potential transaction structures, including common and preferred equity, debt, royalty, joint venture, and profit-sharing agreements. Upon identifying an investment candidate, the Company and its advisors conduct financial, operational, and legal due diligence before bringing the potential investee into the Canopy Rivers ecosystem.

The result is an ecosystem of complementary companies operating throughout the cannabis value chain and ancillary markets. As the Company's portfolio continues to develop, each constituent benefits from opportunities to collaborate with CGC and amongst themselves, which the Company believes results in an ideal environment for innovation, synergy, and value creation for Canopy Rivers' ecosystem.

Through its investments to date, Canopy Rivers has established a diversified portfolio of investments including large-scale greenhouse cannabis cultivators, small-scale premium cannabis cultivators, licence applicants, international hemp processors, pharmaceutical formulators, brand developers and distributors, retail distribution licence operators, technology and media platforms, beverage companies, beauty brands, and agriculture-technology companies. While CRC PrivateCo's initial investments and partnerships focused on the Canadian cannabis market, the Company has expanded its portfolio to capture and focus on investments in the global cannabis sector.

DESCRIPTION OF BUSINESS

Cannabis Regulatory Framework in Canada

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

Health Canada reported that as at September 30, 2019, there were approximately 370,00 active client registrations under the regulated medical cannabis market.[1] In a market research report, Scotiabank estimated that by 2021, the number of registered patients in Canada will increase to 565,000, approximately 53% above current levels.[2]

The distribution and sale of cannabis for adult-use purposes is regulated under the individual authority of each provincial and territorial government, and as such, regulatory regimes vary from jurisdiction to jurisdiction. In each of the provinces and territories, except for Saskatchewan, a provincial distributor is responsible for purchasing cannabis from producers and selling products to its regulated retail distribution channels. In addition, in each province and territory, other than Saskatchewan and Manitoba, the provincial distributor is solely responsible for online sales. With respect to retail sales of cannabis (other than online sales), certain provinces and territories allow only for government-run cannabis stores, whereas others, such as Ontario, leave the retail sale of cannabis to the private sector. In addition, other provinces and territories, such as British Columbia, allow for a hybrid model in which both public and private stores can operate.

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

In the initial stage of the regulated adult-use cannabis market, products available for sale were the same as those permitted in the medical cannabis market – dried flowers, oils and soft-gel, and pre-rolled cannabis products. On October 17, 2019, the federal government legalized new classes of products; specifically, ingestible cannabis, cannabis extracts, and cannabis topical products pursuant to certain amendments to the regulations under the Cannabis Act. Ingestible cannabis, cannabis extracts, and cannabis topical products, which are now available for sale, are subject to additional regulatory requirements that include supplemental marketing and advertising rules, further restrictions on

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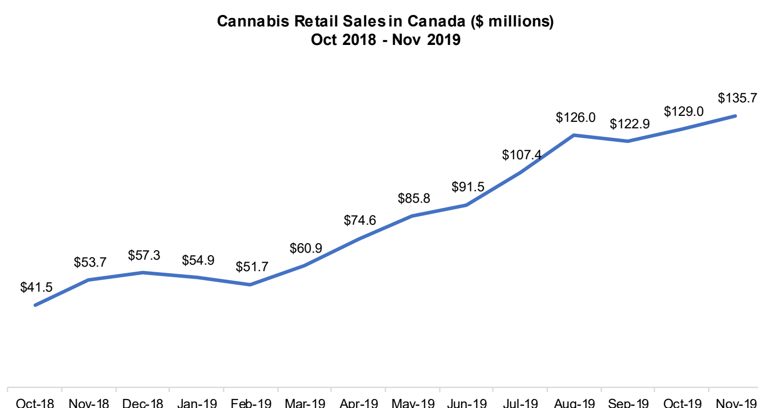
[1] Government of Canada.
[2] Scotiabank – Initiating Coverage – "Growing for the Future" by Oliver Rowe and Ben Isaacson, October 2018.

labelling and packaging, rules relating to ingredients of ingestible cannabis and cannabis extracts, limits on tetrahydrocannabinol ("THC") content, and added facility requirements.

Estimates of the size of the legal market for adult-use cannabis in Canada have varied greatly among industry observers, and initial projections failed to account for some of the operational growing pains that would be experienced by operators during Canada's initial years of cannabis legalization. However, the legalization of new classes of cannabis products pursuant to the amendments to the regulations under the Cannabis Act and further developments to the brick-and-mortar retail environment suggest positive momentum for the emerging sector.

Despite the challenges faced by the industry, cannabis retail sales in Canada showed steady growth in the first year of legalization, as illustrated by the graphic below.[3]



In the coming months, it is anticipated that industry growth will accelerate as the continued development of brick-and-mortar retail infrastructure is expected to improve accessibility to the legal cannabis market by increasing the number of access points for Canadians to purchase legal cannabis. It is also expected that the introduction of new alternative cannabis products, including ingestible cannabis, cannabis extracts, and cannabis topical products, will further support industry growth and further encourage consumers to migrate from the black market to the legal market. Deloitte LLP ("Deloitte") estimates that the Canadian market for edibles and alternative cannabis products will be worth $2.7 billion annually, with cannabis extract-based products (including edibles) accounting for $1.6 billion, cannabis-infused beverages accounting for $529 million, topicals accounting for $174 million, concentrates accounting for $140 million, tinctures accounting for $116 million, and capsules accounting for $114 million.[4]

Global Cannabis Regulatory Reform

Currently, Canada and Uruguay are the only two countries with a comprehensive national regulatory framework for the legal consumption of adult-use cannabis. More than 30 countries around the world have established legal frameworks related to cannabis for medical purposes to either foster research into cannabis-based medical treatments and/or create legal access to medical cannabis for citizens, and many countries are formally considering legislative reform related to both the medical and adult-use markets. Though by no means an exhaustive list, some notable developments relating to global cannabis regulatory reform include the following:

- **Australia**: The Australian Capital Territory enacted legislation that allows personal cultivation and possession of cannabis
- **Germany**: German Federal Institute for Drugs and Medical Devices completed a tender process and awarded 13 initial lots for the domestic cultivation and processing of medical cannabis
- **Greece**: Approved 26 licences for cannabis cultivation and processing facilities
- **Ireland**: Launched a pilot program allowing access to cannabis-based products for medical use
- **Israel**: Legalized the export of medical cannabis
- **Luxembourg**: Confirmed plans to legalize cannabis for adult-use within two years, with the state planning to regulate production and distribution through a cannabis agency and draft legislation expected later this year
- **Mexico**: Legislature is convening to consider amended legislation that could fully legalize the recreational, scientific, medical, and industrial use of cannabis

[3] Statistics Canada.
[4] Deloitte – "Nurturing New Growth: Canada Gets Ready for Cannabis 2.0", June 2019.

- **Netherlands**: Announced the intention to undertake a six-year experiment that will allow select retail entities to sell cannabis that has been cultivated and distributed through a select number of licensed growers, and announced plans to issue a second licence for the production of medical cannabis to meet growing patient demand
- **New Zealand**: Announced that a referendum on cannabis legalization will be held at the time of the upcoming general election on September 19, 2020
- **South Africa**: Highest court has legalized private, recreational cannabis use for adults, ruling that South Africans can legally cultivate their own cannabis plants at home, and the country's health authority awarded the first batch of licences for cultivating medical cannabis to local companies
- **Thailand**: Received the first batch of legally produced cannabis oil after approving its use for medical purposes in December 2018
- **United Kingdom**: Legalized the issuance of prescriptions for cannabis-based medicines
- **United States**: The US Department of Agriculture released draft regulations for domestic hemp cultivation, clarifying several uncertainties and proposing a regulatory framework to allow for the interstate transit and commercialization of hemp, and several states advanced efforts to introduce medical or adult-use regulatory reform through legislative action or ballot initiatives in the upcoming elections
- **European Union**: The European Commission granted marketing authorization to Epidiolex for the treatment of certain conditions across the eurozone and a recommendation was made to European Union member nations to adopt the recommendations made by the World Health Organization with respect to cannabis, referenced below
- **World Health Organization**: Recommended that cannabis and its key components be formally rescheduled under international drug treaties, and that cannabidiol ("CBD"), a non-psychoactive compound found in cannabis, should not be under international control

On December 20, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law by President Trump in the U.S. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp (as defined in the Farm Bill), from the U.S. Controlled Substances Act (the "CSA") and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the U.S. Under the 2018 Farm Bill, industrial hemp is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis." The U.S. Department of Agriculture (the "USDA") has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the Department of Agriculture to review and approve any state-promulgated regulations relating to industrial hemp. On October 29, 2019, the USDA issued interim final regulations and sought comments regarding the proposed final regulations. The interim final regulations impose certain testing and other requirements in order to assure that crops to be sold as industrial hemp will meet the statutory limitations. Comments were due to be filed by December 30, 2019. The interim final regulations will remain in effect until the USDA issues any further regulations.

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

Furthermore, multiple legislative reforms related to cannabis are currently being considered by U.S. Congress. Examples include the proposed bills styled as the Marijuana Opportunity Reinvestment and Expungement Act, the Strengthening the Tenth Amendment Through Entrusting States Act, and the Secure and Fair Enforcement Banking Act. Currently, none of these proposed bills has been approved by both chambers and none has been presented to the President for signature. There can be no assurance that any of these pieces of legislation will become law in the U.S.

Given the broad regulatory uncertainty and unknown pace of consumer adoption, estimates of the potential size of the global cannabis market vary greatly. A recent report from Arcview Market Research and BDS Analytics estimated that the global cannabis market will reach a total size of approximately US$43 billion by 2024.[5] In a November 2018 market research report, BMO Capital Markets estimated that through potential federal legalization in the U.S. and broader legalization within the European Union and Latin America, the total addressable market that could develop for cannabis globally over the next seven years may approach $200 billion.[6] Similarly, in a June 2019 report, Deloitte estimated that the top cannabis markets globally will be worth US$194 billion by 2025.[7]

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

Emergence of Ancillary Cannabis Businesses

The commercialization of cannabis through medical and adult-use regulatory reform has created economic opportunities for entities directly involved in the production of cannabis, both domestically and abroad. Concurrent with the emergence of this new global industry, there has been a proliferation of businesses that provide products and services related to the broader cannabis economy. Ancillary businesses, which may include software and technology platforms, device manufacturers, and plant science innovators, may have the ability to scale more quickly and more efficiently than cannabis cultivators, processors, testers, and retailers as they may not be bound by locally-issued operating licences and regulations, which place limitations on how and where specific entities can operate. These ancillary businesses may also include companies that are well-established in traditional sectors and are in the process of, or are capable of, pivoting their business models to capitalize on the new opportunities that cannabis presents. Management believes that the potential size of the ancillary cannabis market could be larger than the potential size of the base market.

Developing the Canopy Rivers Ecosystem

The long history of the medical cannabis regulatory framework in Canada, combined with the recent legalization of a regulated adult-use market nationally, has created a significant opportunity for the commercialization of cannabis and ancillary cannabis businesses. Given Canada's status as arguably the most progressive federal jurisdiction with respect to both cannabis regulatory reform and capital markets activity, management believes that Canadian cannabis companies have a competitive advantage over companies in other jurisdictions and are accordingly well-positioned to become global leaders in this emerging market.

CRC PrivateCo was formed in April 2017 to pursue investment opportunities in this emerging market. While CRC PrivateCo's strategy initially focused on Canadian investment opportunities, the continued acceleration of the evolution of cannabis markets around the world has presented, and management expects will continue to present, global investment opportunities for Canopy Rivers. These domestic and international opportunities extend beyond strictly cultivation and production-focused investments, as new businesses are constantly emerging to address the cannabis industry's rapidly evolving ancillary segments and markets. Management believes that Canopy Rivers is well-positioned to take advantage of this growing universe of investment opportunities.

The Company is focused on creating an ecosystem of diverse and complementary cannabis companies that represent various verticals of the cannabis value chain and that it believes are well positioned to become leaders within their niche. The Company aims to develop a diversified portfolio in terms of both the types of companies in which it is

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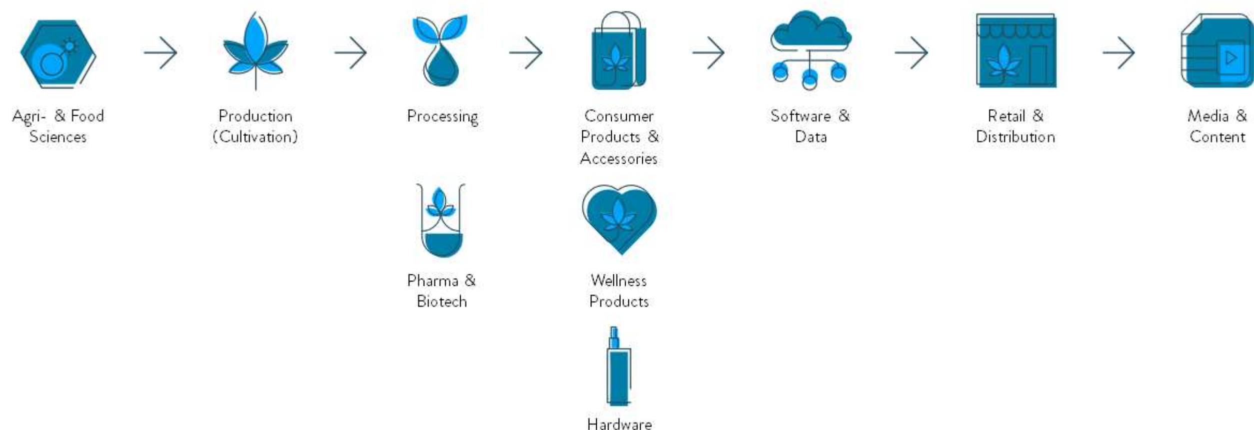
[5] Arcview Market Research and BDS Analytics – "2020 Update to the State of Legal Cannabis Markets", January 2020.

[6] BMO Capital Markets – "What Could the Global Opportunity for Cannabis Look Like?" by Tamy Chen and Peter Sklar, November 1, 2018.

[7] Deloitte – "Nurturing New Growth: Canada Gets Ready for Cannabis 2.0", June 2019.

invested, and the types of structures used in these investments. The Company has identified the following ten verticals across the cannabis value chain:



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

Company[(1)]	Location of Operations
Agripharm	Ontario, Canada
BioLumic	New Zealand, U.S. and Europe
Canapar	Italy
Civilized	New Brunswick, Canada and U.S.
Eureka	Ontario and Quebec, Canada
Greenhouse Juice	Ontario, Canada
Headset	U.S. and Ontario, Canada
Herbert	Ontario, Canada
High Beauty	U.S.
JWC	Ontario, Canada
LeafLink International	Ontario, Canada
PharmHouse	Ontario, Canada
Radicle	Ontario, Canada
TerrAscend	Ontario, Canada and U.S.
TerrAscend Canada	Ontario, Canada
Tweed Tree Lot	New Brunswick, Canada
Vert Mirabel	Quebec, Canada
YSS	Alberta and Saskatchewan, Canada
ZeaKal	U.S. and New Zealand

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

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

While the Company will not engage in activities in the U.S. related to cultivating and distributing cannabis so long as cannabis remains illegal under U.S. federal law, certain Investees in the Canopy Rivers portfolio may operate in the U.S. cannabis industry, provided that the securities held by Canopy Rivers are non-participating and non-voting securities that are only convertible, exercisable, or exchangeable for common shares upon cannabis becoming legal or permissible in the U.S. under federal law. For instance, since the completion of the TerrAscend Arrangement (as defined herein), TerrAscend (as defined herein) has been pursuing strategic transactions in the cannabis sector internationally, including select opportunities in the U.S. Pursuant to the TerrAscend Arrangement, Canopy Rivers agreed to restructure its existing investment in TerrAscend into non-participating, non-voting securities in order to maintain compliance with industry regulations and the policies of the TSXV, being the stock exchange upon which the Subordinated Voting Shares were listed at that time. Since the closing of the TerrAscend Arrangement, TerrAscend's majority owned subsidiary, TerrAscend NJ, LLC, was awarded a permit to cultivate medical cannabis by the New Jersey Department of Health, and TerrAscend's majority owned subsidiary, TerrAscend Utah, LLC, was awarded a Medical

Cannabis Processor License by the Utah Department of Agriculture and Food. TerrAscend also acquired Grander Distribution, LLC (subsequently renamed "Arise Bioscience Inc."), a producer and distributor of hemp-derived wellness products; several entities in California operating the retail dispensary brand known as "The Apothecarium"; and Ilera Healthcare, a Pennsylvania-based medical cannabis cultivator, processor, and dispensary operator; and entered into a definitive agreement to acquire ABI SF LLC, which operates a cannabis cultivation facility in California and owns the State Flower brand.

Certain other Investees, such as Civilized (a media company) and Headset (a company with a business intelligence and analytics software platform), also have ancillary involvement with U.S. cannabis-related activities. Headset's data analytics platform, in part, specifically targets and derives a portion of its revenue from entities that are engaged in the cultivation, production, processing, sale, and distribution of cannabis in the U.S. Furthermore, Headset provides cannabis companies with inventory tracking and retail sales performance software. Civilized generates a portion of its advertising revenue from companies that cultivate, produce, process, sell, and distribute cannabis in the U.S. Both Headset and Civilized also generate revenue from cannabis companies in other federally-regulated jurisdictions as well as from other global consumer packaged goods companies, investment funds, and advisory service firms.

The Company may also acquire rights, options, or other securities in entities that are currently engaged in activities in the U.S. related to cultivating and distributing cannabis that are only exercisable, convertible, or exchangeable for common shares following the date that the federal laws in the U.S. in regards to cannabis are amended, or, if applicable, the date that the stock exchange(s) upon which the Subordinated Voting Shares are listed permit the investment in an entity that is involved in the cultivation or distribution of marijuana in the U.S., provided that the Company (i) does not provide funds to such entities, and (ii) is not entitled to voting rights, dividends, or other rights upon dissolution in connection with the holding of such rights, options, or other securities. The Company may also invest in or loan funds to subsidiaries of entities that are currently engaged in activities in the U.S. related to cultivating and distributing cannabis, provided that (i) such subsidiaries do not engage in activities in the U.S. related to cultivating and distributing cannabis, and (ii) the funds invested or loaned to such entity are only used for lawful purposes and not in connection with activities in the U.S. related to cultivating and distributing cannabis.

Canopy Rivers is not considered to be a U.S. Marijuana Issuer (as defined in the Staff Notice) nor does Canopy Rivers have material ancillary involvement in the U.S. cannabis industry in accordance with the Staff Notice, with the capital invested in Civilized and Headset being approximately $9.4 million to date, a small fraction of the Company's overall market capitalization and asset value. Furthermore, Canopy Rivers and the Investees, other than TerrAscend, are not directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice).

The Company will only conduct business and will only invest in entities in jurisdictions outside of Canada where such operations are legally permissible and in compliance with the policies of the TSX and the regulatory obligations of CGC pursuant to the policies of the TSX and the NYSE. However, there is a risk that the Company's and the Investees' interpretation of laws, regulations, and guidelines, including, but not limited to, the Cannabis Act, the associated regulations, various U.S. state regulations and applicable stock exchange rules and regulations may differ from those of others, including those of government authorities, securities regulators, and stock exchanges. In addition, the Company has and will endeavour to cause its Investees, other than TerrAscend, to only conduct business and invest in entities in federally-legal jurisdictions by including appropriate representations, warranties, and covenants in its agreements with Investees. Any violation of these terms would result in a breach of the applicable agreement between the Company and an Investee and, accordingly, may have a material adverse effect on the business, operations, and financial condition of the Company. In particular, the Company may be required to divest its interest in an Investee or risk significant fines, penalties, administrative sanctions, convictions, settlements, or delisting from the TSX and there is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Please refer to "Risks and Uncertainties" herein and "Risk Factors" in the AIF for additional details.

CORPORATE DEVELOPMENTS

Financing Activities

Overview of Capital Structure

Prior to the Qualifying Transaction (described below), CRC PrivateCo had two classes of common shares issued and outstanding. Class A common shares (the "Class A Shares") entitled the holder thereof to receive 20 votes at all meetings of the shareholders of CRC PrivateCo, while class B common shares (the "Class B Shares") entitled the holder thereof to receive one vote at all meetings of the shareholders of CRC PrivateCo. There was no priority or distinction between the two classes of shares in respect of their entitlement to the payment of dividends or participation

on liquidation, dissolution, or winding-up of CRC PrivateCo. Please refer to the Annual Consolidated Financial Statements and the table below for details on CRC PrivateCo's historical financings.

Prior to the Consolidation, AIM2 had 9,600,000 Common Shares issued and outstanding through financing activities that occurred between October 2017 and February 2018. In connection with the Qualifying Transaction, AIM2 shareholders approved special resolutions in respect of the following:

- The Consolidation, which resulted in 361,372 Common Shares being issued and outstanding; and
- The amendment to the articles of the Company to create the Subordinated Voting Shares, to which each then-outstanding Common Share was re-designated, and a new class of Multiple Voting Shares.

Accordingly, as of the date of this MD&A, the Company has two classes of shares issued and outstanding. Multiple Voting Shares entitle the holder thereof to 20 votes at all meetings of the shareholders of the Company, while Subordinated Voting Shares entitle the holder thereof to one vote at all meetings of the shareholders of the Company. There is no priority or distinction between the two classes of shares in respect of their entitlement to the payment of dividends or participation on liquidation, dissolution, or winding-up of the Company. CGC is the sole holder of the Multiple Voting Shares.

Qualifying Transaction

On September 17, 2018, the Company, formerly AIM2, completed its Qualifying Transaction (as such term is defined in Policy 2.4 of the TSXV Corporate Finance Manual), which was effected pursuant to an agreement between AIM2, CRC PrivateCo, and Subco, a wholly-owned subsidiary of AIM2. After giving effect to the Consolidation, AIM2 had 361,372 Subordinated Voting Shares, 36,137 options, and 18,821 broker warrants issued and outstanding immediately prior to the closing of the Qualifying Transaction. Pursuant to the Qualifying Transaction, CRC PrivateCo and Subco amalgamated to form a new amalgamated company, and upon the amalgamation, holders of Class B Shares received one Subordinated Voting Share for each Class B Share held and CGC, the sole holder of the Class A Shares, received one new Multiple Voting Share for each Class A Share held. In connection with the completion of the Qualifying Transaction, 29,774,857 subscription receipts that had been issued in connection with CRC PrivateCo's July 2018 private placement were automatically converted into 29,774,857 Class B Shares, which were subsequently exchanged for Subordinated Voting Shares pursuant to the Qualifying Transaction.

Upon the completion of the Qualifying Transaction, the Company had 166,943,425 Subordinated Voting Shares and 29,966,626 options and warrants issued and outstanding, with the former CRC PrivateCo shareholders holding 166,582,053 Subordinated Voting Shares and the former CRC PrivateCo option holders and warrant holders holding 29,911,668 options and warrants (approximately 99.8% on a dilutive basis). The Qualifying Transaction was a reverse acquisition of AIM2 and has been accounted for under *IFRS 2, Share-based Payments*. Accordingly, the Qualifying Transaction has been accounted for at the fair value of the equity instruments granted to the shareholders, option holders, and warrant holders of AIM2.

Capital Activity During the Period

There were no financings completed during the three and nine months ended December 31, 2019.

Summary of Historical Financing Activities

Below is a summary of CRC PrivateCo's financing activities:

Summary of CRC PrivateCo Financing Activities				
Date	**Description**	**Shares Class**	**Shares Issued**	**Gross Proceeds**
April 26, 2017	Company formation	Class A Shares	1	$nil
May 12, 2017[(1)]	Initial financing	Class B Shares	9,000,000	$953
		Convertible Debenture	n/a	$20,000
June 16, 2017[(2)]	Brokered private placement	Class B Shares	61,497,970	$36,230
		Class A Shares	36,468,317	n/a
January 8, 2018	Non-brokered private placement	Class B Shares	21,572,453	$23,730
January 9, 2018	Non-brokered private placement	Class B Shares	2,063,910	$2,270
April 6, 2018	Non-brokered private placement	Class B Shares	454,545	$500
July 5, 2018[(3)]	Brokered private placement	Subscription receipts	28,792,000	$100,772
July 6, 2018[(3)]	Non-brokered private placement	Subscription receipts	982,857	$3,440

(1) Of the $953 of seed capital invested in CRC PrivateCo, $503 representing 10,066,668 Class B Shares was paid for through share purchase loans, whereby funds were advanced to CRC PrivateCo by CGC on behalf of certain directors, officers, employees, and consultants of CGC. These Class B Shares were originally placed in trust and vest in three equal tranches over three years. Accordingly, for accounting purposes, they are treated as "seed capital options" until such time that the shares have vested and the loan to CGC has been repaid. As at December 31, 2019, share purchase loans in the amount of $361 relating to the Subordinated Voting Shares held in trust by CGC on behalf of certain CGC employees have been repaid, resulting in the release from escrow of 7,227,774 Subordinated Voting Shares. As at December 31, 2019, 2,838,894 seed capital options remained outstanding.

(2) On June 16, 2017, the convertible debenture held by CGC was converted into Class A Shares. The conversion price included accrued interest of $58.

(3) The proceeds raised from CRC PrivateCo's July 2018 private placement were released from escrow upon the completion of the Qualifying Transaction on September 17, 2018, and the subscription receipts were automatically converted into Class B Shares, which were subsequently exchanged for Subordinated Voting Shares.

Below is a summary of AIM2's historical financings prior to the completion of the Qualifying Transaction:

Summary of AIM2 Financing Activities				
Date	**Description**	**Shares Class**	**Shares Issued[(1)]**	**Gross Proceeds**
October 31, 2017	Company formation	Common Shares	75,287	$100
December 4, 2017	Private placement	Common Shares	97,873	$260
February 14, 2018	Initial public offering	Common Shares	188,217	$500

(1) On a post-Consolidation basis, based upon the Consolidation ratio of 26.565:1.00 pursuant to the Qualifying Transaction.

Below is a summary of the Company's historical financings following the completion of the Qualifying Transaction:

Summary of Financing Activities to Date				
Date	**Description**	**Shares Class**	**Shares Issued**	**Gross Proceeds**
September 17, 2018[(1) (2)]	Qualifying Transaction	Subordinated Voting Shares	130,113,735	n/a
		Multiple Voting Shares	36,468,318	n/a
February 27, 2019	Bought deal	Subordinated Voting Shares	13,225,000	$63,480
	Brokered private placement	Subordinated Voting Shares	6,250,000	$30,000

(1) In connection with the Qualifying Transaction, AIM2 shareholders approved the Consolidation.

(2) In connection with the Qualifying Transaction, holders of Class B Shares received one post-Consolidation Subordinated Voting Share for each Class B Share held; CGC, the sole holder of the Class A Shares, received one new Multiple Voting Share for each Class A Share held; and the 29,774,857 subscription receipts issued in connection with CRC PrivateCo's July 2018 private placement were automatically converted into 29,774,857 Class B Shares, which were subsequently exchanged for Subordinated Voting Shares.

Investments

During the three and nine months ended December 31, 2019, the Company added one and four Investees to its portfolio, respectively. Please refer to the Annual Consolidated Financial Statements, Annual MD&A, AIF, and elsewhere in this MD&A for additional details on the Company's investments prior to March 31, 2019.

Investments Held as at March 31, 2019

Agripharm

Agripharm Corp. ("Agripharm") is a company licensed to cultivate and process cannabis under the Cannabis Act. Agripharm is a joint venture between CGC and the owners of the North American entity that holds the rights to the globally-recognized cannabis brand Green House Seed Co. (a Netherlands-based portfolio of leading cannabis businesses, including an award-winning genetics portfolio, and pioneer in the development of the European cannabis coffee shop market) and SLANG Worldwide Inc. (owner of several market-leading cannabis brands, including OpenVAPE, Bakked, Pressies, The Magic Buzz, and District Edibles). Pursuant to a joint venture agreement, Agripharm has sublicensed certain proprietary technology, trademarks, genetics, know-how, and other intellectual property to distribute the suite of Green House Seed Co. products and certain SLANG Worldwide Inc. products in Canada. Based in Creemore, Ontario, Agripharm currently operates a 20,000 square foot indoor production facility and a 200,000 square foot outdoor lot located on a 20-acre property that provides expansion potential.

Prior to March 31, 2019, the Company entered into a repayable debenture agreement and royalty agreement with Agripharm, and received warrants to purchase common shares of Agripharm.

On April 1, 2019, July 2, 2019, and August 29, 2019, the Company advanced $3,000, $2,000, and $3,000, respectively, to Agripharm pursuant to its repayable debenture agreement. On December 1, 2019, in accordance with the terms of the repayable debenture agreement and royalty agreement, $8,000 advanced to Agripharm pursuant to the repayable debenture agreement automatically converted to a royalty interest. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

JWC

James E. Wagner Cultivation Corporation (formerly AIM1 Ventures Inc.) ("JWC") is a publicly-traded company listed on the TSXV under the trading symbol "JWCA" that is licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis extracts, edibles, and topicals under the Cannabis Act. JWC cultivates cannabis using its advanced and proprietary aeroponic growing platform, GrowthSTORM™. Based in Kitchener, Ontario, JWC currently operates a 15,000 square foot indoor production facility. It also operates 95,000 square feet of a second indoor production facility, which at full scale will be a 345,000 square foot commercial production and distribution complex. JWC plans to open a farmgate retail store at its cultivation facility in Kitchener, Waterloo.

Prior to March 31, 2019, the Company acquired common shares and warrants of, and entered into a repayable debenture agreement and royalty agreement with, JWC.

On August 9, 2019, the Company exercised 1,347,826 common share purchase warrants of JWC for an aggregate purchase price of $620. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Please refer to "Subsequent Events" for additional information related to this Investee.

Eureka

Eureka 93 Inc. (formerly LiveWell Canada Inc.) ("Eureka") is a publicly-traded company listed on the Canadian Securities Exchange ("CSE") under the trading symbol "ERKA". Eureka is a life sciences company focused on the extraction, production, and distribution of cannabis and hemp-derived CBD through its Health Canada licensed facility in Ottawa, Canada and subsidiary operations.

Prior to March 31, 2019, the Company acquired common shares of Eureka.

During the three and nine months ended December 31, 2019, the Company sold 69,600 common shares of Eureka for aggregate proceeds of $150. As at December 31, 2019, trading of the common shares of Eureka on the CSE was

temporarily suspended. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Radicle

Radicle Medical Marijuana Inc., a subsidiary of Radicle Cannabis Holdings Inc. (together, “Radicle”), is a company licensed to cultivate, process, and sell cannabis and cannabis oils under the Cannabis Act. Based in Hamilton, Ontario, Radicle is located near key transportation infrastructure and currently operates a 140,000 square foot indoor facility, which is being developed in phases, with 25,000 square feet currently in operation. Radicle has received approval from Health Canada for a production facility expansion project. With this approval, Radicle is expected to have 40,000 square feet dedicated to indoor hydroponic cultivation. Radicle’s products are currently available for sale through the Ontario Cannabis Store, Spectrum Therapeutics’ online distribution platform, and several retailers in Saskatchewan and British Columbia.

Prior to March 31, 2019, the Company acquired common shares of, and entered into a repayable debenture agreement and royalty agreement with, Radicle. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Please refer to “Subsequent Events” for additional information related to this Investee.

Tweed Tree Lot

The Tweed Tree Lot Inc. (formerly Spot Therapeutics Inc.) (“Tweed Tree Lot”) is a licence holder under the Cannabis Act and wholly-owned subsidiary of CGC. Based in Fredericton, New Brunswick, Tweed Tree Lot’s location in Atlantic Canada provides it with access to low-cost power, skilled and bilingual labour, and government subsidy opportunities through Opportunities New Brunswick. Tweed Tree Lot currently operates a 41,987 square foot indoor production facility.

Prior to March 31, 2019, the Company acquired the property in Fredericton, New Brunswick on which Tweed Tree Lot operates and entered into a lease agreement for the property with Tweed Tree Lot. In addition, the Company entered into a repayable debenture agreement and royalty agreement with Tweed Tree Lot.

On October 8, 2019, the Company advanced $13,500 to Tweed Tree Lot pursuant to the terms of a repayable debenture agreement. The principal amount of the repayable debenture was immediately set-off against the purchase price of a royalty interest pursuant to the terms of the royalty agreement. Under the terms of the royalty agreement, the Company will receive a royalty per gram of cannabis produced by Tweed Tree Lot for a term of 25 years, subject to a minimum annual payment of $2,852. The advance reduced the Company’s commitment to provide Tweed Tree Lot with additional financing to $nil. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

TerrAscend

TerrAscend Corp. (“TerrAscend”) is a publicly-traded company listed under the trading symbol “TER” on the CSE and “TRSSF” on the OTCQX, with operations in both Canada and the U.S. In Canada, TerrAscend’s wholly-owned subsidiary TerrAscend Canada Inc. (“TerrAscend Canada”) is licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis edibles, extracts, and topicals under the Cannabis Act. In the U.S., TerrAscend participates in the regulated medical and adult-use cannabis markets in several states, where it is permissible under state law to do so, and operates a hemp-derived CBD distribution platform nationwide.

Prior to March 31, 2019, the Company entered into an arrangement agreement with TerrAscend, among others, pursuant to which TerrAscend agreed to restructure its share capital by way of a plan of arrangement under the OBCA (the “TerrAscend Arrangement”). In connection with the TerrAscend Arrangement, the Company exchanged 19,445,285 common shares of TerrAscend for the same number of new conditionally exchangeable shares in the capital of TerrAscend (the “Exchangeable Shares”). Holders of Exchangeable Shares are not entitled to any voting rights, dividends, or other rights upon the dissolution of TerrAscend. The Exchangeable Shares are convertible into TerrAscend common shares following changes in applicable federal laws in the U.S. relating to cannabis and/or changes in the policies of the stock exchange(s) that are applicable to the Company with respect to cannabis-related activities (the “TerrAscend Triggering Event”). The Exchangeable Shares do not provide (and there are no related contractual rights that would otherwise provide) the Company with any right to dividends, entitlements upon dissolution of TerrAscend, cash flow, or other current economic entitlements, voting rights, or any form of control over the business, affairs, operation, or financial condition of TerrAscend.

On October 2, 2019, the Company completed a $13,243 (US$10,000) investment in TerrAscend Canada, which was originally structured as a convertible debenture, with common share purchase warrants of TerrAscend issued to the Company. Following the announcement of this investment and subsequent discussions with the TSX, the Company, TerrAscend, and TerrAscend Canada agreed to amend certain terms of the investment. On February 4, 2020, the Company, TerrAscend, and TerrAscend Canada completed the amendment to the October 2, 2019, investment. Per the amended terms of the agreement, the investment was structured to include three components, including a term loan with TerrAscend Canada and two sets of common share purchase warrants in TerrAscend. The loan carries a principal amount of $13,243 and bears interest at a rate of 6% per annum, payable on December 31 of each year beginning on December 31, 2020. The loan matures on the earlier of October 2, 2024 and the date that TerrAscend Warrants I (as defined herein) are exercised in full. The first set of common share purchase warrants (the “TerrAscend Warrants I”) are exercisable into 2,225,714 common shares of TerrAscend at an exercise price of $5.95 per common share and the second set of common share purchase warrants (the “TerrAscend Warrants II”) are exercisable into 333,723 common shares of TerrAscend at an exercise price of $6.49 per common share. The TerrAscend Warrants I and TerrAscend Warrants II are only exercisable following the TerrAscend Triggering Event and expire on October 2, 2024.

The loan with TerrAscend Canada and TerrAscend Warrants I were entered into in contemplation of each other, as the exercise price of TerrAscend Warrants I may be applied against the settlement of the loan. As these transactions are linked, these two instruments are treated as a combined instrument for accounting purposes and are herein collectively referred to as the “TerrAscend Term Loan”. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Vert Mirabel

Les Serres Vert Cannabis Inc. (“Vert Mirabel”) is a company licensed to cultivate cannabis under the Cannabis Act. Vert Mirabel is a joint venture between CRC, CGC, and Les Serres Stéphane Bertrand Inc., a large-scale, Quebec-based greenhouse operator and former producer of pink tomatoes. Based in Mirabel, Quebec, Vert Mirabel has a 700,000 square foot greenhouse, located on 98 acres of land, licensed and operating for cannabis production.

Prior to March 31, 2019, the Company acquired common shares and class A preferred shares of Vert Mirabel. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Civilized

Civilized Worldwide Inc. (“Civilized”) is a modern media company and lifestyle brand focused on elevating cannabis culture. Civilized develops platforms utilized for the purpose of mainstream communication pertaining to the global cannabis industry through three segments: (i) Civilized.life, a news and entertainment website that publishes proprietary and third party content; (ii) Civilized Studio, which produces broadcast quality video and original series; and (iii) Civilized Events, which hosts exclusive branded experiences such as the Civilized Games and the World Cannabis Congress that was held in New Brunswick in June 2018 and 2019.

Prior to March 31, 2019, the Company entered into a convertible debenture agreement with, and received warrants to purchase class A common shares of, Civilized.

On April 4, 2019, the Company and Civilized amended the terms of the convertible debenture agreement. As a result of the agreed upon amendments, among other things, the date upon which interest accrued pursuant to the debenture becomes payable was extended, and the conversion price decreased.

Effective October 28, 2019, the Company and Civilized further amended the terms of the convertible debenture agreement. As a result of the agreed upon amendments, among other things, the Company advanced an additional $120 to Civilized. Accordingly, as at December 31, 2019, the principal amount advanced to Civilized was convertible into 467,580 class A common shares of Civilized (March 31, 2019 – 397,227 class A common shares). Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

PharmHouse

PharmHouse Inc. (“PharmHouse”) is a company licensed to cultivate cannabis under the Cannabis Act. PharmHouse is a joint venture between the Company and the principals and operators of a leading North American cultivator and distributor of greenhouse-grown vegetables (the “PharmHouse JV Partner”). PharmHouse owns a newly built 1,300,000 square foot greenhouse in Leamington, Ontario, 190,000 square feet of which is currently being operated for the purposes of cannabis cultivation. The facility is currently being upgraded for compliance with European Union Good Manufacturing Practices (“GMP”) standards, which is intended to facilitate optimized and standardized output for both

domestic and international distribution. As of the date of this MD&A, PharmHouse has secured multiple offtake agreements, with purchase orders in place for an aggregate of 50% of its near-term production capacity upon licensing until December 31, 2020.

Prior to March 31, 2019, the Company acquired common shares of, and entered into a shareholder loan agreement with, PharmHouse. The Company also issued warrants to, and entered a global non-competition agreement with, the PharmHouse JV Partner. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

PharmHouse has entered into a syndicated credit agreement (the "PharmHouse Credit Agreement") with a number of Canadian banks to provide PharmHouse with a committed, non-revolving credit facility with a maximum principal amount of $80,000 (the "PharmHouse Credit Facility"). The obligations of PharmHouse under the PharmHouse Credit Facility are secured by guarantees of the Company and CRC, and a pledge by CRC of all of the shares of PharmHouse held by it. The PharmHouse Credit Agreement also contains certain representations and warranties and affirmative covenants applicable to the Company.

On December 27, 2019, the Company and the PharmHouse JV Partner entered into a demand promissory note ("Promissory Note") agreement to advance a principal amount of up to $4,000 to PharmHouse. All amounts to be advanced to PharmHouse are on a pro rata basis in accordance with the equity ownership of each of the Company and the PharmHouse JV Partner. Concurrent with the execution of the Promissory Note, the Company made a pro rata advance under the Promissory Note agreement of $1,470. The Promissory Note is non-interest bearing both before and after demand or default. Based on the terms of the Promissory Note, the Company has recognized the Promissory Note as a financial asset initially recorded at fair value and subsequently measured at amortized cost. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

YSS

YSS Corp.™ ("YSS") is a publicly-traded company listed on the TSXV under the trading symbol "YSS" and on the Frankfurt Stock Exchange under the trading symbol "WKN: A2PMAX". With retail operations under the YSS™ and Sweet Tree™ brands, YSS currently has 17 licensed-operating retail stores in Alberta and Saskatchewan.

Prior to March 31, 2019, the Company acquired common shares of YSS. On June 17, 2019, YSS' shareholders approved a consolidation of its issued and outstanding common shares on a 6:1 basis, resulting in the Company owning 10,833,333 common shares in YSS. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Canapar

Canapar Corp. ("Canapar"), through its wholly-owned subsidiary, Canapar SrL ("Canapar Italy"), is focused on hemp cultivation and extraction in Sicily, Italy. Canapar Italy has a partnership with the Department of Agriculture of the University of Catania, which carries out research regarding agricultural and food production, including the growing of hemp, and works alongside farmers in Sicily on hemp cultivation. Canapar Italy purchases this hemp on a wholesale basis from farmers. Canapar Italy's extraction machinery has been installed at its facility and is currently being commissioned. Once operational, the Company anticipates that this facility will be one of the largest of its kind in Europe and plans to use the facility to process hemp biomass into CBD isolates and derivative products for distribution in the European market. Canapar Italy has entered into agreements for hemp farming covering over 1,000 hectares of land. Canapar Italy also owns Marishanti SRL, an Italian retail and beauty product brand.

Prior to March 31, 2019, the Company acquired common shares of Canapar and received a call option to purchase 100% of Canapar's interest in its investees. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

The Company previously provided guidance for Canapar's estimated calendar year 2020 ("CY2020") attributable EBITDA[8] in the range of $20,000 to $30,000. Due to certain factors that may impact the timing and quantum of revenue generation at Canapar, the Company determined during the three months ended June 30, 2019, that it was no longer in a position to provide guidance for Canapar's estimated CY2020 attributable EBITDA until it has greater clarity with respect to these factors.

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[8] Based on Canapar's forecast for CY2020 EBITDA multiplied by the Company's ownership percentage.

Headset

Headset, Inc. ("Headset") is a real-time market intelligence and analytics software platform for the cannabis industry. With services that provide access to up-to-the-minute information on sales trends, emerging industries, popular products, and pricing, Headset's proprietary software platform allows customers to use data to identify new areas of opportunity, understand the competition, and tailor product development. Headset has a U.S. and Canadian strategic alliance with Nielsen Holdings plc ("Nielsen") to provide U.S. and Canadian cannabis market data and analytics to consumer-packaged goods companies monitoring the cannabis space. Headset also has a strategic alliance with Nielsen and Deloitte to provide key stakeholders in the cannabis sector with data-driven insights related to federally regulated cannabis consumption and sales in Canada. Headset also launched its Insights product in Canada, with Alberta being the first Canadian province to access the technology, and its retail data intelligence tool in Canada and the US.

Prior to March 31, 2019, the Company acquired preferred shares of Headset.

On October 16, 2019, the Company completed a subscription for an additional 72,588 series A preferred shares in Headset at a price of $2.67 (US$2.00) per preferred share, for a total investment of $194 (US$145) to maintain a 7% equity interest on a fully diluted basis. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Greenhouse Juice

10831425 Canada Ltd. d/b/a/ Greenhouse Juice Company ("Greenhouse Juice"), is an organic, plant-based beverage producer and distributor. Founded in January 2014, Greenhouse Juice has expanded from a single retail outlet to an omnichannel business with 13 retail locations, an e-commerce delivery service, and a growing network of distribution partners with hundreds of retail locations, including both big box and specialty boutiques, such as Whole Foods and Sobeys. Greenhouse Juice operates out of a purpose-built, food grade, and GMP-compliant production and processing facility in Mississauga, Ontario.

Prior to March 31, 2019, the Company entered into a senior secured convertible debenture agreement and unsecured convertible debenture agreement with, and received preferred share purchase warrants of, Greenhouse Juice. The Company also received an incremental warrant entitling it to increase its economic interest in Greenhouse Juice to 51% under certain circumstances.

On May 1, 2019, the Company advanced $3,000 to Greenhouse Juice pursuant to the unsecured convertible debenture agreement. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

Herbert

10663522 Canada Inc., operating through its wholly-owned subsidiaries Herbert Works Ltd. and 11010131 Canada Inc. (collectively, "Herbert"), is an early-stage brand platform that was established by certain principals of Greenhouse Juice to focus on the adult-use cannabis beverage and herbal supplement beverage markets and that is licensed to conduct research and development activities under the Cannabis Act. Herbert's intention is for its core beverage offering to focus primarily around THC-infused products designed for distribution in Canada and non-infused herbal products designed for distribution across North America. Herbert has applied for a processing license and is building a dedicated purpose-built, food-grade, and GMP-compliant production and processing facility on the Greenhouse Juice site where it expects to produce THC-infused beverages. Herbert also plans to, through a supply arrangement expected to be entered into with Greenhouse Juice, leverage Greenhouse Juice's purpose-built, food-grade, and GMP-compliant production and processing facility to produce non-infused herbal beverages.

Prior to March 31, 2019, the Company acquired preferred shares of Herbert. The Company also received an incremental warrant entitling it to increase its economic interest in Herbert to 51% under certain circumstances. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

LeafLink International

LeafLink Services International ULC ("LeafLink International") is a joint venture between a wholly-owned subsidiary of CRC and a wholly-owned subsidiary of LeafLink, Inc., a U.S. based company, that exclusively licenses LeafLink, Inc.'s business-to-business e-commerce marketplace and supply chain technology platform for deployment throughout regulated international cannabis markets outside of the U.S. LeafLink, Inc. is a business-to-business wholesale marketplace that simplifies the supply chain through its e-commerce platform and that has linked 4,300 cannabis

retailers across 25 territories in the U.S. with 1,500 vendors, servicing approximately US$1.7 billion of gross merchandise value on an annualized basis. As of the date of this MD&A, LeafLink International's e-commerce platform is facilitating transactions between 45 cannabis retailers and 44 vendors in Canada, with further provincial expansion underway.

Prior to March 31, 2019, the Company acquired common shares of LeafLink International. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

New Investments Made During the Three and Nine Months Ended December 31, 2019

High Beauty

High Beauty, Inc. ("High Beauty") is the creator of the cannabis beauty brand *high*. *high* is formulated using cannabis sativa seed oil, which is free of psychoactive substances including THC and CBD, in combination with certified organic plant oils, high-potency antioxidants, and pure plant essential oils. High Beauty's current facial products include a cleansing foam, oil, moisturizer, eye gel, and peeling mask, and the company has distribution partnerships with retailers in Canada, the U.S., and the European Union, including Macy's, Sephora, Urban Outfitters, Anthropologie, Hudson's Bay, Indigo, Shoppers Drug Mart, Amazon, Douglas, and SkinStore.

On April 2, 2019, the Company acquired 2,500,000 preferred shares of High Beauty at a price of $1.33 (US$1.00) per preferred share for a total investment of $3,335 (US$2,500), representing an 18% equity interest on a fully diluted basis. As part of the investment, the Company received a warrant to purchase 500,000 preferred shares of High Beauty at a price of US$0.01 per share. The Company has the right to designate 20% of the director nominees to High Beauty's board of directors.

On December 3, 2019, the Company advanced an additional $1,009 (US$750) to High Beauty pursuant to a senior secured convertible promissory note and received additional warrants to purchase preferred shares. The convertible promissory note bears interest at an initial rate of 8% per annum, compounded annually, and is convertible into preferred shares of High Beauty at maturity. In the event that a qualified financing occurs before the maturity date, the outstanding principal amount and any accrued unpaid interest shall automatically convert into preferred shares of High Beauty following the qualified financing. The additional warrants have a total exercise value of $151 (US$113) at an exercise price per share equal to the price per share paid by other investors in High Beauty's next financing. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

BioLumic

BioLumic Ltd. ("BioLumic") is an agricultural technology company based in New Zealand that has created a sustainable ultraviolet ("UV") light crop yield enhancement technology. BioLumic's UV light technology activates natural mechanisms in seeds and seedlings to deliver long-term crop benefits, such as improved crop consistency, increased yield, drought tolerance, and pest and disease resistance. BioLumic has begun global trials in traditional and high value crops such as lettuce and strawberries. BioLumic received approval from the New Zealand Ministry of Health to apply its UV light technology to medical cannabis and plans to begin conducting medical cannabis commercial trials by July 2020.

On April 26, 2019, the Company invested $2,024 (US$1,500) in a two-year convertible promissory note of BioLumic. The convertible promissory note bears interest at a rate of 6% per annum and is convertible into common equity of BioLumic upon the occurrence of specified events into an ownership stake representing a 9% equity interest on a fully diluted basis. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

ZeaKal

ZeaKal, Inc. ("ZeaKal") is a California-based plant science company that has developed a plant genetics technology called PhotoSeed™. The PhotoSeed™ technology increases photosynthesis, improves plant yield, and enhances nutritional profiles. While ZeaKal's initial commercial focus has been on major row crops, it intends to apply the PhotoSeed™ technology to hemp.

On June 14, 2019, the Company acquired 248,473 preferred shares of ZeaKal at a price of $54.28 (US$40.25) per preferred share for a total investment of $13,487 (US$10,000), representing a 9% equity interest on a fully diluted basis. Further information on this investment can be found in the table below and in the Interim Consolidated Financial Statements.

TerrAscend Canada

TerrAscend Canada is a company licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis edibles, extracts, and topicals under the Cannabis Act, and is a wholly-owned subsidiary of TerrAscend. Based in Mississauga, Ontario, TerrAscend Canada operates a 67,300 square foot production facility, of which 51,800 square feet is now licensed. The company has received its European Union GMP certification and has onsite laboratories, processing and distribution capabilities, and drug preparation premises.

As noted above, on October 2, 2019, the Company completed a $13,243 (US$10,000) investment in TerrAscend Canada, which was subsequently amended to be structured as a term loan with TerrAscend Canada with two sets of common share purchase warrants in TerrAscend. Further information on this investment can be found above, in the table below, and in the Interim Consolidated Financial Statements.

Summary

Below is a summary of the Company's investments as of December 31, 2019:

Yield Investments					
Investee	**Investment**	**Minimum Capital Committed**	**Estimated Annual Payment[1]**	**Advanced as at December 31, 2019**	**Notes**
Agripharm	Royalty interest	$12,000 ($20,000 total)	$4,000	$20,000	• $20,000 advanced that is subject to the royalty interest • Royalty is for a term of 20 years and is subject to a minimum annual payment based on 20% of the amount advanced pursuant to the royalty interest
BioLumic	Convertible promissory note	$2,024	n/a	$2,024	• Amount drawn under the promissory note bears interest at 6% per annum, payable at the maturity date or at the date that a qualified financing occurs • Convertible into 347,999 preferred shares of BioLumic (excluding accrued interest)
Civilized	Convertible debenture	$5,120	n/a	$5,120	• Amount drawn under debenture bears interest at 14% per annum, payable quarterly after the two-year anniversary of the initial investment • Convertible into 467,580 class A common shares of Civilized (excluding accrued interest)
Greenhouse Juice	Secured convertible debenture	$6,000	n/a	$6,000	• Amount drawn under the debenture bears interest at 12% per annum, payable at the maturity date • Convertible into 3,962,496 preferred shares of Greenhouse Juice (excluding accrued interest)
Greenhouse Juice	Unsecured convertible debenture	$3,000	n/a	$3,000	• Amounts drawn under the debenture are interest-free • Convertible into 1,540,971 to 1,981,248 preferred shares of Greenhouse Juice, based upon the achievement of certain sales-related milestones
High Beauty	Convertible promissory note	$1,009	n/a	$1,009	• Amount drawn under the promissory note bears interest at 8% per annum, payable at the maturity date or at the date that a qualified financing occurs • Conversion price based on per share valuation of preferred stock upon closing of a qualified financing
JWC	Royalty interest	$2,500	$488	$2,500	• Royalty is for a term of 20 years and is subject to a minimum annual payment

Yield Investments					
Investee	Investment	Minimum Capital Committed	Estimated Annual Payment[1]	Advanced as at December 31, 2019	Notes
PharmHouse	Loan receivable	$40,000	$4,800	$40,000	• Amount drawn under the shareholder loan bears interest at 12% per annum, payable quarterly after the receipt of PharmHouse's licence to sell cannabis • Loan is for a term of three years
PharmHouse	Promissory Note	$1,470	n/a	$1,470	• Amount drawn under the Promissory Note is non-interest bearing before and after demand or default
Radicle	Royalty interest	$5,000	$900	$5,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment
TerrAscend Canada	Term Loan	$13,243	$795	$13,243	• Amount drawn under the loan bears interest at 6% per annum, payable annually beginning December 31, 2020 • Maturity date is earlier of October 2, 2024, and the date that TerrAscend Warrants I are exercised in full
Tweed Tree Lot	Royalty interest	$13,500	$2,853	$13,500	• Royalty is for a term of 25 years and is subject to a minimum annual payment
Tweed Tree Lot	Lease	$2,600	$580	$2,600	• Payments include monthly lease payments and management fee • Rent escalates every five years • Lease is for a term of 20 years
Vert Mirabel	Preferred shares	$15,000	$2,700	$15,000	• Cumulative dividend rate of 18% prior to the acquisition of the greenhouse by Vert Mirabel; 10% thereafter • Redemption (including accrued and unpaid dividends) expected to occur once Vert Mirabel has generated sufficient cash flow to acquire the greenhouse and repay the principal amount outstanding

(1) Estimated annual payments above are based on the greater of (a) total minimum draws based on capital committed under various agreements and (b) actual amounts drawn as of the date of this MD&A.

Equity and Warrant Investments				
Investee	Investment	Cost Base[1]	Number of Shares / Warrants	Notes
Agripharm	Warrants	$586	93,436	• Warrants to purchase 4% of the fully-diluted common shares and in-the-money securities for $5,000
Canapar	Common shares	$18,150	29,833,333	• Represents a 47% equity interest on a fully-diluted basis
	Call option	Nominal	n/a	• Call option to purchase 100% of Canapar's interest in its investees
Civilized	Warrants	$1,259	221,239	• Warrants to purchase an approximate 7% equity interest on a fully-diluted basis
Eureka	Common shares	Nominal	321,278	• Represents an approximate <1% equity interest on a fully-diluted basis
Greenhouse Juice	Warrants	Nominal	1,386,874	• Warrants to purchase an approximate 5% equity interest on a fully-diluted basis • Control warrant to purchase 51% of the fully diluted shares
Headset	Preferred shares	$4,279	1,572,588	• Represents an approximate 7% equity interest on a fully-diluted basis
Herbert	Preferred shares	$1,406	4,074,074	• Represents an approximate 23% equity interest on a fully-diluted basis
	Warrants	$94	n/a	• Control warrant to purchase 51% of the fully diluted shares
High Beauty	Preferred shares	$2,867	2,500,000	• Represents an approximate 22% equity interest on a fully-diluted basis
	Warrants	$495	612,500	

Equity and Warrant Investments				
Investee	**Investment**	**Cost Base[1]**	**Number of Shares / Warrants**	**Notes**
JWC	Common shares	$6,718	13,860,867	• Represents an approximate 13% equity interest on a fully-diluted basis
	Warrants	$177	1,000,000	
LeafLink International	Common shares	$2,638	2,000,000	• Represents an approximate 18% equity interest on a fully-diluted basis
PharmHouse	Common shares	$40,231[2]	10,998,660	• Represents an approximate 49% equity interest on a fully-diluted basis
Radicle	Common shares	$5,000	17,588,424	• Represents an approximate 23% equity interest on a fully-diluted basis
TerrAscend	Exchangeable Shares	$12,240	19,445,285	• Exchangeable Shares are not entitled to voting rights, dividends, or other rights upon dissolution of TerrAscend
TerrAscend	TerrAscend Warrants I	$1,738	2,225,714	• Exercisable following the TerrAscend Triggering Event
	TerrAscend Warrants II	$261	333,723	• Exercisable following the TerrAscend Triggering Event
Vert Mirabel	Common shares	Nominal	260	• Represents an approximate 26% equity interest on a fully-diluted basis
YSS	Common shares	$3,265	10,883,333	• Represents an approximate 7% equity interest on a fully-diluted basis
ZeaKal	Preferred shares	$13,487	248,473	• Represents an approximate 9% equity interest on a fully-diluted basis

(1) Cost base for warrant investments is generally estimated based on allocation of total committed capital on an individual transaction basis between warrants and another financial instrument (e.g. royalty interest, convertible debenture, common shares, etc.).

(2) Cost base includes the estimated value of the warrants provided to the PharmHouse JV Partner.

RESULTS OF OPERATIONS

The following table sets forth summary operating results and balance sheet data for the indicated periods:

	Three Months Ended		Nine Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Summary Operating Results				
Operating income	$ 1,813	$ 8,378	$ 5,428	$ 32,395
Operating expenses	3,860	6,632	15,819	22,938
Net operating income (loss)	(2,047)	1,746	(10,391)	9,457
Net income (loss)	(2,679)	1,423	(10,051)	5,744
Other comprehensive income (loss) (net of tax)	(37,244)	(80,948)	(71,280)	(56,689)
Total comprehensive income (loss)	(39,923)	(79,525)	(81,331)	(50,945)
Basic earnings (loss) per share (“EPS”)	$ (0.01)	$ 0.01	$ (0.05)	$ 0.04
Diluted EPS	$ (0.01)	$ 0.01	$ (0.05)	$ 0.04
Summary Cash Flow Results				
Cash used in operating activities	$ (3,523)	$ (1,628)	$ (6,980)	$ (3,333)
Cash used in investing activities	(30,435)	(57,325)	(48,537)	(96,567)
Cash from financing activities	857	37	1,012	100,530
Balance Sheet Data				
Cash			$ 49,678	$ 46,929
Total assets			337,235	298,839
Total liabilities			2,157	6,475
Shareholders’ equity			335,078	292,364

The Company reported a net loss of $2,679 and basic and diluted EPS of $(0.01) for the three months ended December 31, 2019, compared with net income of $1,423 and basic and diluted EPS of $0.01 for the same period last year. For the three months ended December 31, 2019, net loss was primarily driven by the impact of operating expenses of $3,860, share of loss of equity method investees of $1,307, and negative net changes in the fair value of financial assets at fair value through profit or loss (“FVTPL”) of $1,901, offset by income on the Company’s shareholder loan receivable of $1,222 and income on financial assets at FVTPL of $3,634. For the three months ended December 31, 2018, net income was primarily driven by the impact of positive net changes in the fair value of financial assets at FVTPL of $8,365 and income on financial assets at FVTPL of $652, offset by operating expenses of $6,632 and share of loss of equity method investees of $1,271.

The Company reported total comprehensive loss of $39,923 for the three months ended December 31, 2019, compared with total comprehensive loss of $79,525 for the same period last year. For the three months ended December 31, 2019, in addition to the factors impacting net loss described above, comprehensive loss was driven by negative net changes in the fair value of financial assets at fair value through other comprehensive income (“FVTOCI”) of $37,244, while comprehensive income for the three months ended December 31, 2018, was driven by negative net changes in the fair value of financial assets at FVTOCI of $80,948.

The Company reported a net loss of $10,051 and basic and diluted EPS of $(0.05) for the nine months ended December 31, 2019, compared with net income of $5,744 and basic and diluted EPS of $0.04 for the nine months ended December 31, 2018. Net loss for the nine months ended December 31, 2019, was primarily driven by the impact of operating expenses of $15,819, negative net changes in the fair value of financial assets at FVTPL of $948, and share of loss of equity method investees of $2,957, offset by income on the Company’s shareholder loan receivable of $3,653 and income on financial assets at FVTPL of $5,188. For the nine months ended December 31, 2018, net income was primarily driven by positive net changes in the fair value of financial assets at FVTPL of $32,649 and income on financial assets at FVTPL of $1,358, offset by operating expenses of $22,938 and share of loss of equity method investees of $2,619.

For the nine months ended December 31, 2019, the Company reported total comprehensive loss of $81,331, compared with total comprehensive loss of $50,945 for the nine months ended December 31, 2018. For the nine months ended December 31, 2019, in addition to the factors impacting net loss described above, comprehensive loss was driven by negative net changes in the fair value of financial assets at FVTOCI of $71,280, while comprehensive loss for the nine months ended December 31, 2018, was driven by negative net changes in the fair value of financial assets at FVTOCI of $56,689.

The Company expects that, in the near term, its net income (or loss) and comprehensive income (or loss) will continue to be largely driven by net changes in the fair value of financial assets at FVTPL or financial assets at FVTOCI. In turn, the Company expects that these net changes will continue to be largely dependent on the regulatory, business, and capital markets environment in the cannabis industry, which environments will in turn continue to inform the Company's investment strategy. Given the inherent volatility of valuations of investments in the global cannabis sector, the Company anticipates continued volatility in its financial results. Furthermore, while the Company anticipates that in the long term, its share of income or loss from equity method investees will have a significant impact on its financial results, it does not anticipate this to happen over the next few fiscal quarters.

Operating Income

The Company reported operating income of $1,813 for the three months ended December 31, 2019, compared with $8,378 for the same period last year.

Royalty, interest, and lease income was $5,021 for the three months ended December 31, 2019, compared with $1,284 for the same period last year. For the three months ended December 31, 2019, this was primarily comprised of royalty and interest income of $3,634 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, JWC, Radicle, TerrAscend Canada, and Tweed Tree Lot; interest income of $1,222 generated from the shareholder loan agreement with PharmHouse; and interest and management fee income of $165 generated from the lease agreement with Tweed Tree Lot. For the three months ended December 31, 2018, this was primarily comprised of royalty and interest income of $652 generated from the Company's royalty and debenture agreements with Agripharm, JWC, and Radicle; interest income of $471 generated from the shareholder loan agreement with PharmHouse; and interest and management fee income of $161 generated from the lease agreement with Tweed Tree Lot.

Share of loss from equity method investees was $1,307 for the three months ended December 31, 2019, compared with a share of loss of $1,271 for the same period last year. As noted in the Interim Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. Canapar, Herbert, High Beauty, LeafLink International, PharmHouse, and Radicle represented the Company's equity method investees for which a share of income or loss was recorded for the three months ended December 31, 2019. Canapar, Civilized, PharmHouse, and Radicle represented the Company's equity method investees for which a share of loss was recorded for the three months ended December 31, 2018. Due to the early-stage nature of the equity method investees' businesses, the Company expects the Investees to continue to generate net losses in the near term.

The net change in fair value of financial assets at FVTPL was a decrease of $1,901 for the three months ended December 31, 2019, compared with an increase of $8,365 for the same period last year. For the three months ended December 31, 2019, the net decrease was primarily driven by the negative change in the fair value of the Company's investments in the Agripharm repayable debenture and royalty interest of $1,184, TerrAscend Canada Term Loan of $1,012, and Civilized convertible debenture and warrants of $370, partially offset by the positive change in the fair value of the Company's investments in Vert Mirabel preferred shares of $932, among other factors. For the three months ended December 31, 2018, the net increase was primarily driven by the positive change in the fair value of the Company's investments in the Canapar call option of $4,500, formerly-held TerrAscend warrants of $2,673, and Vert Mirabel preferred shares of $637, as well as the gain on exercise of formerly-held TerrAscend warrants of $1,022, partially offset by the negative change in the fair value of the Company's investment in JWC warrants of $601, among other factors.

The Company reported operating income of $5,428 for the nine months ended December 31, 2019, compared with $32,395 for the same period last year.

Interest, royalty, and lease income was $9,333 for the nine months ended December 31, 2019, compared with $2,309 for the same period last year. For the nine months ended December 31, 2019, this was primarily comprised of royalty and interest income of $5,188 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, JWC, Radicle, TerrAscend Canada, and Tweed Tree Lot; interest income of $3,653 generated from the shareholder loan agreement with PharmHouse; and interest and management fee income of $492 generated from the lease agreement with Tweed Tree Lot. For the nine months ended December 31, 2018, this was primarily comprised

of royalty and interest income of $1,358 generated from the Company's royalty and debenture agreements with Agripharm, JWC, and Radicle; interest and management fee income of $480 generated from the lease agreement with Tweed Tree Lot; and interest income of $471 generated from the shareholder loan agreement with PharmHouse.

Share of loss from equity method investees was $2,957 for the nine months ended December 31, 2019, compared with $2,619 for the same period last year. Canapar, Herbert, High Beauty, LeafLink International, PharmHouse, and Radicle represented the Company's equity method investees for which a share of income or loss was recorded for the nine months ended December 31, 2019. Canapar, Civilized, Radicle, and PharmHouse represented the Company's equity method investees for which a share of loss was recorded for the nine months ended December 31, 2018.

The net change in fair value of financial assets at FVTPL was a decrease of $948 for the nine months ended December 31, 2019, compared with an increase of $32,649 for the same period last year. For the nine months ended December 31, 2019, the net decrease was primarily driven by the negative change in the fair value of the Company's investments in the Civilized convertible debenture and warrants of $2,309, Canapar call option of $1,500, TerrAscend Canada Term Loan of $1,012, and JWC warrants of $555, partially offset by the positive change in the fair value of the Company's investments in the Vert Mirabel preferred shares of $2,620 and Greenhouse Juice secured convertible debenture of $1,907, among other factors. For the nine months ended December 31, 2018, the net increase was primarily driven by the positive change in the fair value of the Company's investments in formerly-held TerrAscend warrants of $17,214, Canapar call option of $4,500, and Vert Mirabel preferred shares of $2,310; gains upon initial recognition of the Company's investments in YSS common shares of $6,192 and Eureka common shares of $2,275; and the gain on exercise of formerly-held TerrAscend warrants of $1,022; partially offset by the negative change in the fair value of the Company's investment in the JWC warrants of $576 and Agripharm repayable debenture and royalty interest of $401, among other factors.

Operating Expenses

The Company reported total operating expenses of $3,860 for the three months ended December 31, 2019, compared with $6,632 for the same period last year.

Consulting and professional fees were $929 for the three months ended December 31, 2019, compared with $788 for the same period last year. For the three months ended December 31, 2019, these expenses were primarily attributable to legal fees of $448 related to transaction execution and general corporate and securities matters; audit, tax, accounting, and other regulatory compliance advisory fees of $311; and ongoing consulting services of $170 in respect of the Company's business management, sourcing and evaluation of investment opportunities, and due diligence-related matters. Consulting and professional fees may continue to increase going forward as the Company continues to accelerate its business activities, grow its portfolio of investees, and commence business activities in new markets and jurisdictions. For the three months ended December 31, 2018, these expenses were primarily attributable to legal fees of $383; ongoing consulting services of $232; and audit, tax, accounting, and other regulatory compliance advisory fees of $173.

General and administrative expenses were $1,755 for the three months ended December 31, 2019, compared with $651 for the same period last year. For the three months ended December 31, 2019, these expenses were primarily attributable to employee compensation expenses of $870, marketing and business development expenses of $365, and other administrative activities (including public company costs) of the Company of $520. Employee compensation expenses may increase going forward as the Company continues to build out its management team and employee base, and other general and administrative expenses may increase going forward due to enhanced public company compliance and regulatory requirements, and administrative costs associated with expanding the Company's operations. For the three months ended December 31, 2018, these expenses were primarily attributable to employee compensation of $276, marketing and business development of $133, and other administrative activities of the Company of $242.

Share-based compensation was $1,133 for the three months ended December 31, 2019, compared with $5,193 for the same period last year. As discussed in the Interim Consolidated Financial Statements, a portion of CRC PrivateCo's initial capital is treated as seed capital options for accounting purposes, which are remeasured each period. This created a significant non-cash expense in prior reporting periods. This expense also considers options issued to consultants of the Company, which, along with the seed capital options, are remeasured each period. Options issued to provide incentives to directors, officers, and employees of the Company are also included, and the related expense is calculated based on measurements and estimates upon initial recognition. For the three months ended December 31, 2019, share-based compensation attributable to directors, officers, and employees was $965, share-based compensation attributable to seed capital options was $195, and share-based compensation attributable to consultants was a recapture of $27. For the three months ended December 31, 2018, share-based compensation attributable to

directors, officers, and employees was $546, share-based compensation attributable to seed capital options was $1,286, and share-based compensation attributable to consultants was $3,361.

The Company reported total operating expenses of $15,819 for the nine months ended December 31, 2019, compared with $22,938 for the same period last year.

Consulting and professional fees were $2,604 for the nine months ended December 31, 2019, compared with $1,787 for the same period last year. For the nine months ended December 31, 2019, these expenses were primarily attributable to legal fees of $1,217; audit, tax, accounting, and other regulatory compliance advisory fees of $880; and ongoing consulting services of $507. For the nine months ended December 31, 2018, these expenses were primarily attributable to legal fees of $669; ongoing consulting services of $564; and audit, tax, accounting, and other regulatory compliance advisory fees of $554.

General and administrative expenses were $5,300 for the nine months ended December 31, 2019, compared with $1,232 for the same period last year. For the nine months ended December 31, 2019, these expenses were primarily attributable to employee compensation expenses of $2,327, marketing and business development of $1,422, and other administrative activities (including public company costs) of the Company of $1,551. For the nine months ended December 31, 2018, these expenses were primarily attributable to employee compensation expenses of $613, marketing and business development expenses of $235, and other administrative activities of the Company of $384.

Share-based compensation was $7,787 for the nine months ended December 31, 2019, compared with $19,919 for the same period last year. As noted above, the remeasurement of the seed capital options and the consultant options each period results in a significant non-cash expense. For the nine months ended December 31, 2019, share-based compensation attributable to directors, officers, and employees was $3,150, share-based compensation attributable to seed capital options was $1,549, and share-based compensation attributable to consultants was $3,088. For the nine months ended December 31, 2018, share-based compensation attributable to directors, officers, and employees was $1,051, share-based compensation attributable to seed capital options was $7,556, and share-based compensation attributable to consultants was $11,312.

Adjusted EBITDA (Non-IFRS Measure)

Management defines "Adjusted EBITDA" as net earnings before any deduction for net finance costs, other non-operating expenses (income), and taxes. Adjusted EBITDA also excludes other non-cash charges and income items such as share-based compensation and the non-cash effects of fair value changes in financial assets at FVTPL. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS, or cash available for distribution. The Company's "Adjusted EBITDA" is a non-IFRS metric used by the Company that does not have any standardized meaning prescribed by IFRS. The Company's method of calculating Adjusted EBITDA may differ from methods used by other organizations, and accordingly, may not be comparable to similar measures presented by other companies.

Adjusted EBITDA for the three months ended December 31, 2019, was $1,030, compared with $(1,426) for the same period last year. Adjusted EBITDA for the nine months ended December 31, 2019, was $(1,528), compared with $(3,273) for the same period last year. A reconciliation of net income to Adjusted EBITDA is provided in the table below:

Adjusted EBITDA (Non-IFRS Measure)	**Three Months Ended**		**Nine Months Ended**	
(in CDN $000's)	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Net income (loss) (as reported)	**$ (2,679)**	**$ 1,423**	**$ (10,051)**	**$ 5,744**
Income tax expense	906	1,119	1,205	3,985
Interest expense	9	--	28	--
Other income	(283)	(796)	(1,573)	(272)
Depreciation expense	43	--	128	--
EBITDA	**(2,004)**	**1,746**	**(10,263)**	**9,457**
Share-based compensation expense	1,133	5,193	7,787	19,919
Net (increase) decrease in fair value of financial assets at FVTPL	1,901	(8,365)	948	(32,649)
Adjusted EBITDA	**$ 1,030**	**$ (1,426)**	**$ (1,528)**	**$ (3,273)**

Comprehensive Income (Loss)

The Company reported total comprehensive loss of $39,923 for the three months ended December 31, 2019, compared with total comprehensive loss of $79,525 for the same period last year.

Net loss was $2,679 for the three months ended December 31, 2019, compared with net income of $1,423 for the same period last year. Included in these amounts are income tax expense of $906 and $1,119 for the three months ended December 31, 2019 and 2018, respectively.

The net change in fair value of financial assets at FVTOCI, net of tax, was a decrease of $37,244 for the three months ended December 31, 2019, compared with a decrease of $80,948 for the same period last year. For the three months ended December 31, 2019, this decrease was primarily driven by the negative change in the fair value of the Company's investments in TerrAscend Exchangeable Shares of $21,000, Vert Mirabel common shares of $15,642, JWC common shares of $3,118, and YSS common shares of $1,252, among other factors. These changes reflect a broad decline in public company valuations in the cannabis sector during the period. For the three months ended December 31, 2018, this decrease was primarily driven by the $73,005 fair value adjustment the Company realized as a result of the TerrAscend Arrangement. The decrease was also driven by the negative change in the fair value of the Company's investments in YSS common shares of $12,229, JWC common shares of $4,254, Vert Mirabel common shares of $4,971, and Eureka common shares of $2,698, partially offset by the positive change in the fair value of the Company's former investment in TerrAscend common shares of $3,837.

The Company reported total comprehensive loss of $81,331 for the nine months ended December 31, 2019, compared with total comprehensive loss of $50,945 for the same period last year.

Net loss was $10,051 for the nine months ended December 31, 2019, compared with net income of $5,744 for the same period last year. Included in these amounts are income tax expense of $1,205 and $3,985 for the nine months ended December 31, 2019, and 2018, respectively.

The net change in fair value of financial assets at FVTOCI, net of tax, was a decrease of $71,280 for the nine months ended December 31, 2019, compared with a decrease of $56,689 for the same period last year. For the nine months ended December 31, 2019, this decrease was primarily driven by the negative change in the fair value of the Company's investments in TerrAscend Exchangeable Shares of $51,000, Vert Mirabel common shares of $14,498, JWC common shares of $10,089, YSS common shares of $2,449, and Eureka common shares of $1,872. For the nine months ended December 31, 2018, this decrease was primarily driven by the $73,006 fair value adjustment the Company realized as a result of the TerrAscend Arrangement, as well as the negative change in the fair value of the Company's investments in YSS common shares of $6,192, Vert Mirabel common shares of $4,784, and JWC common shares of $3,955, partially offset by the positive change in the fair value of the Company's former investment in TerrAscend common shares of $20,765 and its investment in Eureka common shares of $1,814.

Due to the high levels of volatility observed in stock prices of publicly-traded cannabis companies, the Company expects net changes in fair value of financial assets at FVTOCI to continue to exhibit volatility in the near term.

Cash Flows Used in Operating Activities

Net cash used in operating activities was $6,980 for the nine months ended December 31, 2019, compared with net cash used of $3,333 for the nine months ended December 31, 2018. Net loss for the nine months ended December 31, 2019, was $10,051 and included numerous non-cash items, including the Company's share of loss from equity method investees of $2,957, net decrease in fair value of financial assets and liabilities at FVTPL of $948, share-based compensation of $7,787, and income tax expense of $1,205. Net cash used in operating activities for the nine months ended December 31, 2019, also reflects a working capital investment of $8,819. For the nine months ended December 31, 2018, the Company reported net income of $5,744, which included numerous non-cash items, including the Company's share of loss from equity method investees of $2,619, net increase in fair value of financial assets and liabilities at FVTPL of $32,649, share-based compensation of $19,919, and income tax expense of $3,985. Net cash used in operating activities for the nine months ended December 31, 2018, also reflects a working capital investment of $2,081.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $48,537 for the nine months ended December 31, 2019, compared with $96,567 for the nine months ended December 31, 2018. During the nine months ended December 31, 2019, the Company advanced funds pursuant to pre-existing agreements with Agripharm ($8,000), Greenhouse Juice ($3,000),

and Tweed Tree Lot ($13,500); exercised warrants in JWC ($620); advanced additional funds to PharmHouse via the Promissory Note ($1,470); advanced the Brokerage Payments Deposit (as defined herein) to Kindred ($1,000); and made new investments in BioLumic ($2,024), High Beauty ($4,344), ZeaKal ($13,487), and TerrAscend Canada ($13,243). Net cash used in investing activities for the nine months ended December 31, 2019, also reflects a $12,000 impact from the reduction of the requirement for the Company to maintain a minimum cash balance pursuant to the PharmHouse Credit Agreement. During the nine months ended December 31, 2018, the Company advanced funds pursuant to pre-existing agreements with Agripharm ($9,000), Radicle ($2,000), and Vert Mirabel ($13,071); completed a $2,300 follow-on investment in JWC; and made new investments in Canapar ($8,750), Civilized ($5,000), Headset ($4,085), PharmHouse ($49,800), and YSS ($3,265).

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $1,012 for the nine months ended December 31, 2019, compared with $100,530 for the nine months ended December 31, 2018. During the nine months ended December 31, 2019, net cash provided by financing activities was primarily attributable to the proceeds from the exercise of outstanding stock options. During the nine months ended December 31, 2018, net cash provided by financing activities was primarily attributable to the completion of a private placement of subscription receipts for aggregate gross proceeds of $104,212 and share issue costs of $5,091. The subscription receipts were automatically converted into 29,774,857 Subordinated Voting Shares upon completion of the Qualifying Transaction.

Summary of Quarterly Financial Information

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

	FQ3 2020	FQ2 2020	FQ1 2020	FQ4 2019	FQ3 2019	FQ2 2019	FQ1 2019	FQ4 2018
Summary Operating Results								
Operating income	$ 1,813	$ 930	$ 2,685	$ 6,082	$ 8,378	$ 23,273	$ 744	$ 19,543
Operating expenses	3,860	6,192	5,767	7,512	6,632	8,959	7,347	2,384
Net operating income (loss)	(2,047)	(5,262)	(3,082)	(1,430)	1,746	14,314	(6,603)	17,159
Net income (loss)	(2,679)	(4,406)	(2,966)	(1,826)	1,423	10,949	(6,628)	14,590
Other comprehensive income (loss) (net of tax)	(37,244)	(28,252)	(5,784)	22,418	(80,948)	26,630	(2,371)	28,893
Total comprehensive income (loss)	(39,923)	(32,658)	(8,750)	20,592	(79,525)	37,579	(8,999)	43,483
Basic EPS	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.01)	$ 0.01	$ 0.08	$ (0.05)	$ (0.11)
Diluted EPS	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.01)	$ 0.01	$ 0.07	$ (0.05)	$ (0.11)

Outlook

The Company previously provided CY2020 attributable EBITDA[9] guidance relating to PharmHouse and Vert Mirabel in the range of $85,000 to $100,000. On a regular basis, the Company reviews any financial forecasts to assess the reasonableness of the estimate for CY2020 attributable EBITDA in light of Investee-specific developments and broader industry and economic factors. During the Company's ongoing review activities, the following factors were considered:

- Unanticipated delays in the attainment of the requisite cannabis-related licences at PharmHouse and related uncertainty with respect to the timing of revenue generation;
- Availability of additional evidence to inform expectations of a reasonable operational ramp-up period for large-scale cannabis greenhouses;
- A general decline in market prices in the Canadian wholesale cannabis market;
- The slower-than-expected development of the Canadian cannabis market, specifically relating to the limited roll-out of retail distribution in highly populated areas; and
- Broader sector challenges impacting companies across the Canadian cannabis industry.

[9] Based on the available forecast for CY2020 EBITDA for each of PharmHouse and Vert Mirabel multiplied by the Company's respective ownership percentages, in addition to the interest income generated on the Company's shareholder loan to PharmHouse and dividend yield on the Company's investment in Vert Mirabel preferred shares.

As a result of the factors listed above, among others, and due to the uncertainty inherent in forecasting operating results given the current status of the Canadian cannabis industry, the Company has made the decision to withdraw its estimated CY2020 attributable EBITDA guidance.

OTHER INFORMATION

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

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

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

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

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

During the three and nine months ended December 31, 2019, the Company financed its operations and met its capital requirements primarily through proceeds raised from prior equity financings. As at December 31, 2019, working capital was approximately $58,275, primarily attributable to the Company's cash balance of $49,678.

The Company anticipates that it has sufficient liquidity and capital resources to finance working capital and support its current portfolio for at least the next twelve months. Furthermore, the Company anticipates that it will be able to generate positive net cash flow from dividends, interest, rent, and royalties in the future and that it will be able to strengthen its balance sheet and liquidity position with future equity financings (if required), which will position it to be able to make follow-on investments in current Investees and capitalize on new investment opportunities. However, the Company may face certain liquidity risks if it is unable to generate sufficient cash to fund its ongoing requirements and is unable to raise funds through debt or equity to account for its commitments. While management anticipates future cash profitability of the business, there can be no assurance that the Company will be able to generate sufficient positive cash flow to achieve its business plans.

The Company's principal capital needs are for funds to finance commitments to, and to make follow-on investments in, existing Investees, to make new domestic and international investments, and to satisfy working capital, as well as for general corporate purposes. As at December 31, 2019, the Company's contractual commitments were as follows:

Investee	Committed Funds	Timing
Greenhouse Juice	$3,000 (1)	Expected in fiscal year ("FY") 2020

(1) The Company has committed to purchase up to $3,000 of preferred shares of Greenhouse Juice at a price of $2.16 per share in the event that Greenhouse Juice attains $12,000 of revenue in any preceding twelve-month period.

In addition to the aforementioned contractual obligations, the Company anticipates that certain Investees will require additional capital in order to achieve their business milestones. Accordingly, the Company may invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees, in connection with additional cash calls pursuant to certain joint venture agreements or otherwise. The amount of such investments will depend upon a host of factors, including, but not limited to, the following: the Company's assessment of the Investee's

needs and uses for such capital; the Company's current liquidity and existing cash requirements at the time; and the Company's portfolio of investments and investment opportunities.

On October 23, 2019, the Company announced a strategic alliance with Kindred Partners Inc. ("Kindred"), a specialty cannabis brokerage and services company. The strategic alliance provides current and future Investees with access to Kindred's expertise and distribution channels in order to enhance their revenue-generating capabilities. In connection with the arrangement, the Company provided Kindred with a $1,000 refundable deposit (the "Brokerage Payments Deposit"), which will be used to cover any shortfall amounts below the agreed upon minimum aggregate brokerages fees to be paid to Kindred by certain Investees (the "Brokerage Fees") as set forth in the agreement, and the actual aggregate Brokerage Fees. If the minimum aggregate Brokerage Fees are met at the end of either the first or second year following the date of the agreement, the entire Brokerage Payments Deposit will be refunded to the Company. Upon initial recognition, the Company has recorded the Brokerage Payments Deposit as an asset. At the end of each reporting period, the Company will assess whether the deposit is expected to be returned. The Company has a possible obligation to fund any shortfall amounts, being the difference between the minimum aggregate Brokerage Fees ($3,000 for each of the 12 months ending December 31, 2020 and 2021) and the actual aggregate Brokerage Fees. The Company notes that a contingent liability exists at each reporting period with respect to the minimum aggregate Brokerage Fees. The contingent liability of the Company is the additional economic outflow that may result from the inability of the Investees to meet the minimum aggregate Brokerage Fees, measured at the end of each calendar quarter, beginning on January 1, 2020. Accordingly, as at December 31, 2019, the Company has a contingent liability of $3,000 for each of the 12 months ending December 31, 2020 and 2021, which includes the Brokerage Payments Deposit of $1,000 currently recognized in the Interim Consolidated Financial Statements.

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

Discussion of Market Risk and Credit Risk

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

Market risk

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

Foreign currency risk

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

Interest rate risk

Interest rate risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in interest rates. The Company's exposure to interest rate risk only relates to any funding arrangements whereby the Company commits to invest funds in the form of convertible or repayable debentures. The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Company currently has no long-term borrowings and is not party to any arrangement involving variable 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.

Other market risk

The Company holds other financial assets and liabilities in the form of investments in shares, warrants, and options that are measured at fair value and recorded through either net income (or loss) or other comprehensive income (or loss). The Company is exposed to price risk on these financial assets, which is the risk of variability in fair value due to movements in equity or market prices. Information regarding the fair value of financial instruments that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value, are presented in Note 15 of the Interim Consolidated Financial Statements.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's interest and royalty receivable. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The Company provides credit to counterparties and has established credit evaluation and monitoring processes to mitigate credit risk. As at December 31, 2019, the Company did not have any interest and royalty receivable, other receivable, finance lease receivable, or loan receivable that was past due for over 90 days. Under *IFRS 9, Financial Instruments* ("IFRS 9"), the Company is required to apply an expected credit loss ("ECL") model to all financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the statement of financial position date. The Company recognizes twelve-month ECLs for interest and royalty receivables, other receivables, and loan receivables. The Company estimates 12-month expected credit losses by multiplying the probability of a default occurring in the next 12 months with the lifetime ECLs that would result from that default, regardless of when those losses occur. For lease receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel: The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board, who, together, controlled approximately 3.2% of the issued and outstanding Subordinated Voting Shares on a fully diluted basis (assuming conversion of the Multiple Voting Shares into Subordinated Voting Shares) as of December 31, 2019. Compensation provided to key management personnel includes share-based compensation, salaries and accrued bonuses, and director fees. Share-based compensation for the three months ended December 31, 2019 and 2018, was $671 and $873, respectively. Salaries and accrued bonuses for the three months ended December 31, 2019 and 2018, were $219 and $214, respectively. Director fees for the three months ended December 31, 2019 and 2018, were $125 and $nil, respectively. Share-based compensation for the nine months ended December 31, 2019 and 2018, was $2,624 and $5,368, respectively. Salaries and accrued bonuses for the nine months ended December 31, 2019 and 2018, were $736 and $544, respectively. Director fees for the nine months ended December 31, 2019 and 2018, were $175 and $nil, respectively.

Transactions with CGC: As at December 31, 2019, the Company had a $142 liability to CGC included in accounts payable and accrued liabilities arising from the share purchase loans provided by CGC relating to the seed capital options discussed above, compared to a $192 liability as at March 31, 2019. In the event the loans are repaid by the employees/consultants, the related shares will be considered issued, and the liability will be settled. The Company has other intercompany amounts with CGC, which are immaterial on a net basis.

Transactions with other related parties: Transactions and balances with the Company's associates and joint ventures, and associated entities of CGC are described and discussed in the Interim Consolidated Financial Statements. The PharmHouse Promissory Note described in Note 8 in the Interim Consolidated Financial Statements was entered into at a below-market rate of interest in the capacity of the Company and the PharmHouse JV Partner being shareholders of PharmHouse. Since the Promissory Note has a demand feature, the fair value of the Promissory Note at initial recognition was equal to the principal amount advanced by the Company. Therefore, the Company did

not recognize a gain or loss. All other transactions are in the normal course of operations and were entered into at market terms.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

No significant influence over Vert Mirabel

Vert Mirabel is not an associate of the Company, although the Company owns a 26% interest in Vert Mirabel. The Company does not have significant influence over Vert Mirabel as no significant contractual rights, including the right to appoint directors to the board of directors of that company, are held by the Company.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the options, and the volatility of the Company's stock price are used.

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 valuation models to determine the fair value of its financial instruments.

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 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, 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 on observed historical volatility for comparable public companies.

Please refer to Note 15 in the Interim Consolidated Financial Statements for more information on the fair value measurement and valuation process.

CHANGES IN ACCOUNTING POLICIES

IFRS 16, Leases

Effective April 1, 2019, the Company adopted *IFRS 16, Leases* ("IFRS 16") using the modified retrospective method, including a set of practical expedients and elections. Under this approach, the comparative information has not been restated and continues to be reported under *IAS 17, Leases* ("IAS 17").

IFRS 16 introduces a single lease accounting model that eliminates the prior distinction between operating and finance leases for lessees, and requires the recognition of a right-of-use asset and a lease liability at the lease commencement date for all leases, with the exception of short-term leases (under 12 months) and leases of low value.

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were not recognized on the statement of financial position as at March 31, 2019. From April 1, 2019, the Company:

- recognizes right-of-use assets and lease liabilities on the condensed interim consolidated statement of financial position, initially measured at the present value of future lease payments;

- depreciates right-of-use assets on a straight-line basis over the shorter of the estimated useful life of the asset or the remaining lease term;
- presents interest expense on lease liabilities as a component of "Interest expense" within the condensed interim consolidated statement of comprehensive income (or loss); and
- presents the principal portion of its total lease payments within "Financing activities" and the interest portion within "Operating activities" on the condensed interim consolidated statement of cash flow.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with *IAS 36, Impairment of Assets*.

Prior to April 1, 2019, the Company classified all lease commitments as operating and did not record them on the condensed interim consolidated statement of financial position. Operating lease payments were recognized as expenses on a straight-line basis over the lease term in "General and administrative expenses" within the condensed interim consolidated statement of comprehensive income (or loss) and operating lease payments were reported as "Operating activities" in the condensed interim consolidated statement of cash flow.

The Company applied certain practical expedients and elections at April 1, 2019, the initial application date of IFRS 16. Specifically, the Company:

- continued to treat contracts determined to be leases under the prior accounting standard as leases under IFRS 16;
- measured right-of-use assets as equal to the lease liabilities on the date of transition, adjusted for prepaid rent and deferred rent;
- retained prior assessments of onerous lease contracts under *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*; and
- excluded from recognized assets and liabilities, as applicable (a) initial direct costs to enter the lease; (b) leases with a remaining term of 12 months or less from April 1, 2019; and (c) low-value leases, all of which will continue to be accounted for as "General and administrative expenses" in the condensed interim consolidated statement of comprehensive income (or loss).

The operating lease commitment at March 31, 2019, excludes non-lease components, as the Company has elected to account for non-lease components separately as incurred.

In the context of its transition to IFRS 16, the Company recognized right-of-use assets of $704 and lease liabilities of $690 as at April 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities recognized in the condensed interim consolidated statement of financial position at April 1, 2019, was approximately 5.7%.

Leases

For periods beginning from April 1, 2019:

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 condensed interim consolidated statement 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" within the condensed interim consolidated statement 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 “Interest expense” in the condensed interim consolidated statement of comprehensive income (or loss). The right-of-use asset is depreciated over the shorter of the asset’s useful life or the lease term on a straight-line basis and presented within “Depreciation and amortization expense” in the condensed interim consolidated statement of comprehensive income (or loss).

The Company’s only applicable lease is a property lease, 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 maintenance costs, property tax, and operating expenses are expensed as incurred within “General and administrative expenses” in the condensed interim consolidated statement of comprehensive income (or loss).

Payments for leases with a term of 12 months or less and low-value leases are recognized on a straight-line basis within “General and administrative expenses” in the condensed interim consolidated statement of comprehensive income (or loss) and are not recognized prior to accrual in the condensed interim consolidated statement of financial position.

Lessor

Lessor arrangements are classified as finance leases when substantially all of the risks and rewards of the underlying asset transfer to the lessee. A receivable, equal to the net investment in the lease, is recognized on the condensed interim consolidated statement of financial position at the commencement date with an offset to the underlying asset. The receivable is measured as the present value of non-cancellable payments to be received by the Company over the lease term. The payments are discounted using the interest rate implicit in the lease, if this can be readily determined, or at the Company’s incremental borrowing rate, if the implicit rate cannot be determined. A gain or loss is recorded in “Other expenses (income), net” within the condensed interim consolidated statement of comprehensive income (or loss) for the difference between the carrying value of the underlying asset and the lease receivable. Lease payments are apportioned between the lease receivable and finance income, which is reported within “Income on finance lease receivable” in the condensed interim consolidated statement of comprehensive income (or loss).

When the Company retains the risks and rewards of the underlying asset, the arrangement is classified as an operating lease. Payments received under operating leases are recognized as income on a straight-line basis over the lease term. The carrying value of the underlying asset is retained on the condensed interim consolidated statement of financial position and amortized over the remaining term, determined as the shorter of the estimated useful life of the asset or the remaining lease term.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company’s internal control over financial reporting (“ICFR”) is designed to provide reasonable assurance regarding the reliability of financing reporting and preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

Control Framework

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

Changes in Internal Control

There have been no changes in the Company’s ICFR reporting during the three and nine months ended December 31, 2019, which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of Multiple Voting Shares and an unlimited number of Subordinated Voting Shares. As at December 31, 2019 and February 13, 2020, the Company had the following securities issued and outstanding:

	As at December 31, 2019	As at February 13, 2020
Multiple Voting Shares	36,468,318	36,468,318
Subordinated Voting Shares	152,653,798	152,837,131
Stock Options	16,136,565	16,028,232
Warrants	14,409,450	14,409,450

Stock options outstanding as at December 31, 2019, relate to Subordinated Voting Shares and are comprised of the following:

- 2,838,894 seed capital options issued to employees of CGC, which have been paid for by CGC on behalf of the employees;
- 7,608,671 options issued to consultants of the Company and employees of CGC, with exercise prices ranging between $0.60 and $3.50; and
- 5,689,000 options issued to employees and directors of the Company, with exercise prices ranging between $1.10 and $4.83.

Warrants outstanding as at December 31, 2019, relate to Subordinated Voting Shares and are comprised of the following:

- 14,400,000 warrants issued to a counterparty to one of the Company's investments, with an exercise price of $2.00; and
- 9,450 warrants issued to former warrant holders of AIM2, with an exercise price of $2.66.

SUBSEQUENT EVENTS

Developments since December 31, 2019

On January 2, 2020, the Company advanced $1,000 to Radicle pursuant to a convertible debenture agreement. As part of this investment, the Company also received common share purchase warrants of Radicle. Per the convertible debenture agreement, interest is earned at a rate of 12% per annum, calculated and payable semi-annually, and the debenture matures on January 2, 2023.

On February 6, 2020, the Company completed a subscription for 2,380,952 units of JWC at a price of $0.21 per unit, for a total investment of $500. Each unit was comprised of one common share in the capital of JWC and one-half of one common share purchase warrant. Each full warrant entitles the Company to purchase one common share of JWC at a price of $0.275 per common share at any time on or before February 6, 2023.

RISKS AND UNCERTAINTIES

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

Compliance with Laws

The Company's and the Investees' operations are subject to various laws, regulations, and guidelines that may change over time. The Company will endeavour to cause the Investees to comply with all relevant laws, regulations and guidelines at all times. Although some of the Investees are contractually required to comply with laws pursuant to their

agreements with the Company, certain Investees, including Headset, are not subject to such requirements, and in any event these contractual obligations do not guarantee compliance by Investees. In the event that an Investee such as Headset is discovered not to be in compliance with laws, including U.S. laws, the Company may be limited in its recourse against such Investee. In addition, the Investees may not maintain internal policies and procedures adequate to ensure compliance with the various laws, regulations, and guidelines to which they are subject. There is also a risk that the Company's and the Investees' interpretation of laws, regulations, and guidelines, including, but not limited to, the Cannabis Act, the associated regulations, various U.S. state regulations, and applicable stock exchange rules and regulations, may differ from those of others, including those of government authorities, securities regulators, and exchanges, and the Company's and the Investees' operations may not be in compliance with such laws, regulations, and guidelines. While they may be compliant today, the Company or the Investees may not be compliant following changes to any laws, regulations, or guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company or the Investees may significantly delay or impact the development of the Company's and the Investees' business and operations and could have a material adverse effect on the business, financial condition, and results of operations of the Company. In addition, any potential noncompliance could cause the business, financial condition, and results of operations of the Company to be adversely affected. Further, any amendment to or replacement of the Cannabis Act or other applicable rules and regulations governing the activities of the Company and the Investees may cause adverse effects on the Company's or the Investees' business, financial condition, and results of operations. The risks to the business of the Company and the Investees associated with any amendment or replacement of the Cannabis Act or any subsequent regulatory changes in Canada or the U.S. could reduce the available market for products or services of the Investee and could materially and adversely affect the business, financial condition, and results of operations of the Company.

The Company and the Investees will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations, and permitting requirements, court rulings or more stringent application of existing laws or regulations, may have a material adverse impact on the Company and/or the Investees, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities, or other significant changes in the Company's and/or the Investees' business plans, which could have a material adverse effect on the business, financial condition, and results of operations of the Company and/or the Investees.

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

Due to the complexity and nature of the Company's operations, various legal and tax proceedings may be in progress from time to time. If the Company is unable to resolve any of these proceedings favourably, there may be a material adverse effect on the Company.

Internal Controls

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

In addition, if the Company does not maintain adequate financial and management personnel, processes, and controls, the Company may not be able to accurately report financial performance on a timely basis, which could cause a decline in the price of the Subordinated Voting Shares or harm the Company's ability to raise capital. Failure to accurately report financial performance on a timely basis could also jeopardize the Company's listing on the TSX. Delisting of the

Subordinated Voting Shares would reduce the market liquidity of the Subordinated Voting Shares, which would reduce and increase the volatility of the price of the Subordinated Voting Shares.

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

Risks Associated with Divestment and Restructuring

In certain circumstances, the Company may decide, or be required, to divest its investment in certain Investees. In particular, if any of the Investees violate any applicable laws and regulations, including U.S. federal law or the policies of the TSX, the Company may be required to divest its interest in such Investee or risk significant fines, penalties, administrative sanctions, convictions, settlements, or delisting from the TSX. For instance, if the Company determines that the operations of an Investee such as Headset or Civilized are not compliant with U.S. laws, the policies of the TSX or the regulatory obligations of CGC pursuant to the policies of the TSX and NYSE, the Company will use its commercially reasonable best efforts to divest of its interest in the Investee in the event that it cannot restructure its holdings. There is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Any opportunities resulting from these divestitures, and the anticipated effects of these divestitures on the Company may never be realized or may not be realized to the extent the Company anticipates. Moreover, there is no guarantee that the Company will realize gains on its investments based on the fair value of underlying financial assets. In pursuit of opportunities to dispose of any of the Company's investments, third parties may not ascribe similar value to such investments as the Company and the Company may not be able to obtain the value it ascribes to such investments. Not all of the Company's investments are liquid, and such investments may be difficult to dispose of and subject to illiquidity discounts on divestiture. The securities of Headset and Civilized, for instance, are not listed on any stock exchange. Any required divestiture or an actual or perceived violation of applicable laws or regulations by the Company or any Investee could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holdings (directly or indirectly) in the Investees, the listing of its securities on applicable stock exchanges, its financial position, operating results, profitability, liquidity or the market price of the Subordinated Voting Shares. In addition, it is difficult for the Company to estimate the time or resources that may be required for the investigation of any such matter or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

If the Company decides, or is required, to restructure its investments in any Investees to remain in compliance with laws or stock exchange requirements, such restructuring could result in the write-down of the value of the Company's investments, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Limited Operating History

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

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

Liquidity and Additional Financing

The continued development of the Company, including maintaining its interest in Investees through follow-on investments, may require additional financing. The failure by the Company to raise such capital could result in the delay or indefinite postponement of the current business plan, the decrease in value of such Investee to the Company, or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing obtained in the future could involve restrictive covenants more onerous than those contained in the PharmHouse Credit Agreement relating to financial and operational matters, which may adversely impact the Company's business model, financial situation, and other financial and operational matters. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Recent Announcements and Risks Regarding Vaping Products

On October 4, 2019, the FDA issued a warning to the public to stop using vaping products containing THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. These warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers in the U.S. There have also been reported cases in Canada of lung injuries associated with the use of cannabis derivatives containing vaping liquid. Health Canada has issued an information update advising Canadians who use cannabis derivatives containing vaping liquids to monitor themselves for symptoms of pulmonary illness. Governments and the private sector may take further actions aimed at reducing the sale of cannabis containing vaping liquids and/or seek to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. For instance, the provincial governments in Quebec, Alberta, and Newfoundland have already imposed provincial regulatory restrictions on the sale of cannabis vape products. These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the vaping products of certain Investees. Federal, provincial, and local regulations or actions that prohibit or restrict the sale of the vaping products of certain Investees, including cannabis derivative vaping liquids, or that decrease consumer demand for these products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the Company.

Securities Class Action Litigation Risks

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

Equity Price Risk

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

Credit and Liquidity Risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to: (i) through Investees that experience financial, operational, or other difficulties, including insolvency, which could limit or suspend those Investees' ability to perform their obligations under agreements with the Company or result in the impairment or inability to recover the Company's investment in an Investee; (ii) through financial institutions that may hold the Company's cash and cash equivalents; (iii) through companies that have payables to the Company; (iv) through the Company's

insurance providers; and (v) through the Company's lenders, if any. The Company will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted, and the price of the Subordinated Voting Shares could be adversely affected.

Hedging Risk

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

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