CANOPY RIVERS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

Date: February 9, 2021

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 Nasdaq Global Select Market (the "Nasdaq") under the trading symbol "CGC".

Canopy Rivers currently operates a venture capital firm specializing in cannabis. The Company aims to create shareholder value through the continued deployment of strategic capital throughout the cannabis sector.

This MD&A reports on the financial condition and results of operations of Canopy Rivers for the three and nine months ended December 31, 2020 and 2019. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2020 and 2019 (the "Interim Consolidated Financial Statements"), including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A provides information for the three and nine months ended December 31, 2020, and up to and including February 9, 2021.

By their nature, the Interim Consolidated Financial Statements do not include all of 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, 2020 and 2019, and the notes thereto (the "Annual Consolidated Financial Statements"), and the related MD&A for the three and twelve months ended March 31, 2020 and 2019 (the "Annual MD&A"), each dated June 2, 2020.

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 June 2, 2020 (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 9, 2021.

As of the date hereof, Canopy Rivers does not engage in the cultivation or distribution of cannabis in the United States ("U.S.") for the purposes of the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"). However, following the completion of the CGC Transaction (as more particularly described in "Corporate Developments – CGC Transaction"), the Company may pursue investments or acquisitions in the U.S. cannabis market. As such investments or acquisitions may involve the cultivation or distribution of cannabis in the U.S., the Company may become subject to additional disclosure expectations under 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. To the extent any forward-looking information in this MD&A constitutes “financial outlooks” within the meaning of applicable Canadian securities laws, the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” or similar expressions and includes, among others, statements relating to:

- the assumptions and expectations described in the Company’s critical accounting policies and estimates;
- the adoption and impact of certain accounting pronouncements;
- the Company’s expectations regarding legislation, regulations, and licensing related to the Canadian and global cannabis markets and product offerings in Canada and internationally;
- the evolution of cannabis markets globally and the potential for global investment opportunities to arise;
- the expected number of users of medical cannabis and the size of the medical cannabis market in Canada and internationally;
- the expected number of users of adult-use cannabis and the size of the adult-use cannabis market (including the market for edibles and alternative cannabis products) in Canada and internationally;
- the potential size of the ancillary cannabis market relative to the size of the base cannabis market;
- the Company's exposure to risks related to the price of cannabis, the cannabis industry, and its reliance on royalty income;
- 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 that implementation of the legislation and related regulations will take;
- the potential time frame for the implementation of legislation for a regulated medical or adult-use market, or related activities, in the U.S., and the potential form that implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted in the U.S.;
- the closing of the transactions contemplated by the CGC Transaction (as defined herein);
- the Company's financial position following the completion of the transactions contemplated by the CGC Transaction;
- the anticipated timing and occurrence of the shareholder meeting to approve the arrangement contemplated by the Arrangement Agreement (as defined herein);
- the anticipated benefits, costs, and risks associated with the CGC Transaction, including the implied value of, or anticipated proceeds from, the CGC Transaction;
- the anticipated benefits of the collapse of the Company's dual-class share structure in connection with the CGC Transaction;
- the attractiveness of the Company’s shares as acquisition currency following the CGC Transaction;
- the anticipated de-listing of the Company's securities on the TSX and the subsequent listing of its securities on a stock exchange that does not prohibit investments or acquisitions of companies with business activities related to marijuana operations in the U.S.;
- the impact of U.S. legislative changes related to cannabis on the ability of the Company to invest in the U.S. and the Company’s ability to convert the Exchangeable Shares (as defined herein) into common shares in the capital of TerrAscend (as defined herein);
- the potential time frame for the implementation of legislation for regulated medical or adult-use cannabis markets internationally and the potential form that implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted by various international jurisdictions;
- the plans, strategies, and objectives of the Company and the Investees, including the expected timing for implementing such plans, strategies and objectives and expectations regarding international investment opportunities and the Company’s ability to enter and participate in such opportunities; as well as the Company’s intention to implement certain operational changes, including the targeted reduction in operating cash outflows;
- the Company’s belief that Canadian cannabis companies have a competitive advantage over companies in other jurisdictions and are well-positioned to become global leaders in the emerging cannabis market;
- the Company’s expectations with respect to its future financial and operating performance, including with respect to the impact of the Investees’ operating results and the anticipated cash profitability of its business;
- the Company’s expectations with respect to its future financial results, and terms of strategic initiatives and strategic agreements;

- the potential impact of infectious diseases, including the COVID-19 (as defined herein) pandemic, and other general economic trends on the Company and the Investees;
- the continued impact of COVID-19 on the Company, including its operations, liquidity, financial results, supply and staff shortages for certain Investees, and the demand for certain Investee's products and services;
- the effects of COVID-19 on the global economy and financial markets;
- the Company's expectations with respect to the business activities and future financial and operating performance of its domestic and international Investees;
- expectations regarding timing and receipt of cash inflows at PharmHouse (as defined herein) and the impact such inflows may have on the PharmHouse Recoverability Assessment (as defined herein) and the Company's financial liability pursuant to the PharmHouse Guarantee (as defined herein);
- the Company's belief that PharmHouse may have insufficient liquidity and capital resources to achieve its business objectives and that there exists material uncertainty regarding PharmHouse's ability to meet its financial obligations as they come due, including those pursuant to the PharmHouse Credit Facility (as defined herein), which may have an impact on the Company's financial liability pursuant to the PharmHouse Guarantee;
- expectations regarding timing and receipt of cash inflows from certain Investees, including Agripharm (as defined herein), where the Company has recognized a provision for credit losses on the receivable;
- the Company's expectations about the growth and future market volatility of the cannabis industry;
- future investments, the need for additional financing, the potential for additional dilution as a result of issuing additional equity securities, other business activities, and corporate development, including potential investment structures, including by way of investments in or acquisitions of, companies that may have operations in the U.S.;
- expectations with respect to future expenditures and capital activities, including the ability to access the capital markets and obtain additional financing on terms acceptable to the Company, if at all;
- the potential for the Company to invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees;
- the management of the Company's portfolio, including its growth, optimization, and capital allocation;
- the Company's dividend policy and its current stated goal to reinvest retained earnings; 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 are made and involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled "Risks and Uncertainties" herein, the section entitled "Risk Factors" in the AIF, and the section entitled "Risk Factors" in the CGC Transaction Circular (as defined herein). Financial outlooks, as with forward-looking information generally, are, without limitation, based on assumptions and subject to various risks as discussed in the section entitled "Risks and Uncertainties" herein, the section entitled "Risk Factors" in the AIF, and the section entitled "Risk Factors" in the CGC Transaction Circular. The Company's actual financial position and results of operations may differ materially from management's current expectations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from statements contained in forward-looking information, there may be other factors that cause results to not be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and the Company does not intend or undertake any obligation to publicly revise or update any forward-looking information that is included in this MD&A, whether as a result of new information, future events, or otherwise, other than as required by applicable law.

THIRD-PARTY INFORMATION

Market and industry data used throughout this MD&A were obtained from various publicly available sources. Although the Company believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and the limitations and uncertainty inherent in any statistical survey of market size, conditions, and prospects. The Company does not make any representation as to the accuracy of such information.

CORPORATE STRUCTURE AND COMPANY 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 27.0% of the issued and outstanding Shares and approximately 84.2% 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 are expected to be, the direct owners of the various securities in which the Company has invested. Please refer to "Corporate Developments – CGC Transaction" herein for additional details on the anticipated impact of the CGC Transaction on CGC's ownership interest in the Company.

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, licence applicants under the Cannabis Act, companies with licences from provincial authorities for the retail distribution of cannabis in various provinces across Canada, and ancillary businesses related to the cannabis industry. Canopy Rivers has active investments through a variety of financial structures in 17 companies (the "Investees"), which excludes certain investments that the Company has written off as a result of ongoing bankruptcy or insolvency proceedings. 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 currently a venture capital firm specializing in cannabis. The Company's business strategy is to create shareholder value through the continued deployment of strategic capital throughout the global cannabis sector. The Company identifies strategic counterparties seeking financial and/or operating support, and aims to provide investor returns through dividends and capital appreciation, while also generating interest, lease, and royalty income to finance employee compensation, professional fees, and other general and administrative costs associated with operating the business to generate these returns.

The Company's investment team of qualified financial and technical professionals has worked to carefully select appropriate investment candidates and potential transaction structures, including common and preferred equity, debt, royalty, joint venture, and profit-sharing agreements, among others. Upon identifying an investment candidate, the

Company and its advisors conduct financial, commercial, operational, and legal due diligence before bringing the potential investee into the Canopy Rivers ecosystem. As of the date of this MD&A, the Company employs 12 individuals.

To date, Canopy Rivers has made investments through a variety of financial structures in 20 companies, including seven Investees with international operations, and in doing so has established a diversified portfolio of investments including large-scale greenhouse cannabis cultivators, small-scale premium cannabis cultivators, agriculture-technology companies, international hemp processors, brand developers and distributors, retail distribution licence operators, data, software, and other technology and media platforms, edible and beverage companies, and beauty brands. The result is an ecosystem of complementary companies operating throughout the cannabis value chain and ancillary markets. Portfolio constituents benefit from opportunities to collaborate within the Canopy Rivers ecosystem, which the Company believes results in an ideal environment for innovation, synergy, and value creation.

On December 21, 2020, the Company entered into the Arrangement Agreement. Please refer to "Corporate Developments – CGC Transaction" herein for additional details about the CGC Transaction. In anticipation of the completion of the CGC Transaction, the independent directors of the Company, in consultation with management and external advisors, have been building on the work undertaken by the Special Committee (as defined herein) and are in the process of comprehensively re-evaluating the Company's business and investment strategy. Among the initiatives that the Company is considering are potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. As such investments or acquisitions may be inconsistent with the policies of the TSX, the Company is initiating the process to de-list from the TSX and list its securities on a stock exchange that does not prohibit such investments or acquisitions.

In addition to pursuing a strategy targeting opportunities in the U.S. cannabis market, the Company plans to continue to manage its existing portfolio in a manner intended to facilitate growth, optimize capital allocation, and maximize value to its shareholders.

DESCRIPTION OF BUSINESS AND INDUSTRY

Developing the Canopy Rivers Ecosystem

The long history of a medical cannabis regulatory framework in Canada, combined with the more recent legalization of a regulated adult-use market nationally, created a significant opportunity for the commercialization of cannabis and ancillary cannabis businesses. CRC PrivateCo was formed in April 2017 to pursue investment opportunities in this emerging market. 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 the Company expects will continue to present, an even greater number of global investment opportunities. Given Canada's status as arguably the most progressive federal jurisdiction with respect to both cannabis regulatory reform and capital markets activity, Canopy Rivers believes that Canadian cannabis companies are well-positioned to become global leaders in this emerging market.

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. However, 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. 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 or augmenting 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.

The Company's focus has been 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 respective niches. The Company has aimed to develop a diversified portfolio in terms of both the types of companies in which it is invested, and the types of structures used in these investments. As of the date of this MD&A, the Company has active, direct or indirect investments in the following companies:

Company[(1)]	Location of Operations
Agripharm	Ontario, Canada
BioLumic	New Zealand, U.S. and Europe
Civilized[(2)]	New Brunswick, Canada and U.S.
Dynaleo	Alberta, Canada
Greenhouse Juice	Ontario, Canada
Headset	U.S. and Ontario, Canada
Herbert[(2)]	Ontario, Canada
High Beauty	U.S.
LeafLink International	Ontario, Canada
PharmHouse[(3)]	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.
(2) As of the date of this MD&A, the operating activities of Civilized and Herbert (as defined herein) are limited, and these businesses are currently re-assessing their business plans. The Company does not currently ascribe any value to these investments.
(3) As of the date of this MD&A, PharmHouse (as defined herein) has been granted creditor protection under the CCAA (as defined herein). The Company does not currently ascribe any value to this investment. Please refer to "Corporate Developments – Investments – PharmHouse" for additional information.

The Company previously held investments in James E. Wagner Cultivation Corporation ("JWC"), a company that was licensed to cultivate, process, and sell cannabis, cannabis oils, and cannabis extracts, edibles, and topicals under the Cannabis Act, and Eureka 93 Inc. ("Eureka"), a life sciences company focused on the extraction, production, and distribution of cannabis and hemp-derived CBD. JWC entered into creditor protection proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") and completed a sales and investor solicitation process, pursuant to which substantially all of JWC's assets were sold to an affiliate of Trichome Financial Corp. Eureka filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) and was deemed bankrupt.

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.

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.

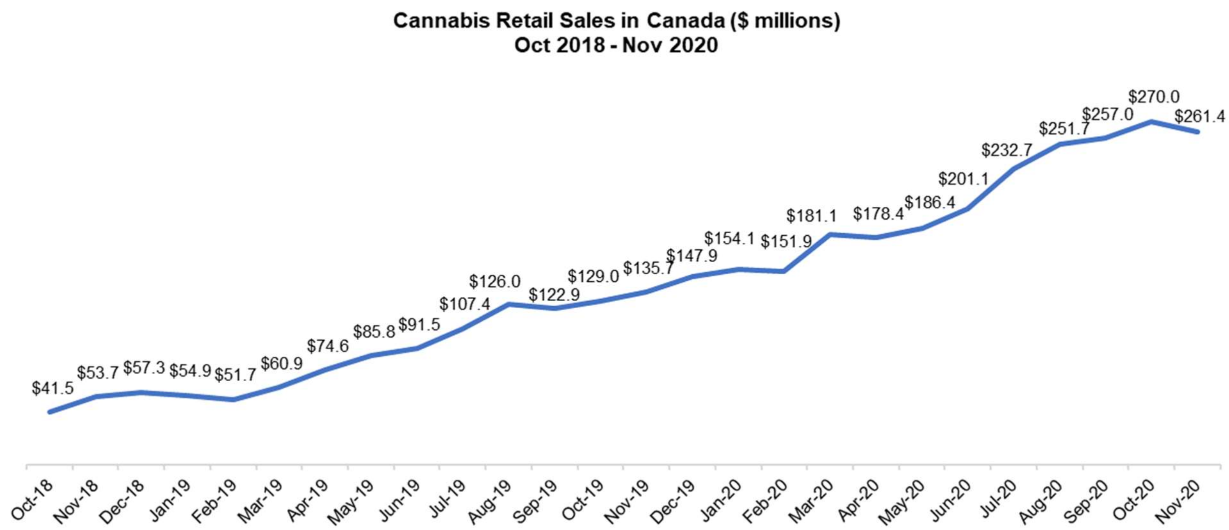
With respect to retail sales of cannabis (other than online sales), certain provinces and territories allow only for government-run cannabis stores, whereas others, such as Ontario, leave the retail sale of cannabis to the private sector. In addition, other provinces and territories, such as British Columbia, allow for a hybrid model in which both public and private stores can operate. As a result of the COVID-19 pandemic (discussed herein), many retail cannabis stores across Canada were temporary closed (either voluntarily or by government order), and are now re-opening slowly subject to social distancing and other applicable measures, including curbside pickup and delivery-only models.

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

In the initial stage of the regulated adult-use cannabis market, products available for sale were dried flowers, oils and soft-gel, and pre-rolled cannabis products. On October 17, 2019, the federal government legalized additional classes of products; specifically, edible cannabis, cannabis extracts, and cannabis topical products pursuant to certain amendments to the regulations under the Cannabis Act. Edible cannabis, cannabis extracts, and cannabis topical products are subject to additional regulatory requirements that include supplemental marketing and advertising rules, further restrictions on labelling and packaging, rules relating to ingredients of edible 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, despite the early and, in some respects, ongoing challenges experienced by the industry, the emerging sector is demonstrating positive momentum. The continued development of brick-and-mortar retail infrastructure is expected to foster further industry growth by improving accessibility to the legal cannabis market through an increase in the number of access points for Canadians to purchase legal cannabis. It is also expected that the continued adoption of new cannabis product formats, including edible cannabis, cannabis extracts, and cannabis topical products, will support industry growth and further encourage consumers to migrate from the illicit market to the legal market.

The graphic below highlights the steady growth of cannabis retail sales in Canada since adult-use legalization.[1]



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. Countries around the world continue to establish 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.

On December 20, 2018, the Agricultural Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law by the former President Donald Trump in the U.S. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp (as defined in the 2018 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 USDA to review and approve any state-promulgated regulations relating to industrial hemp. On October 31, 2019, the USDA issued interim final regulations that impose certain testing and other requirements in order to assure that crops to be sold as industrial hemp will meet the statutory limitations. On February 27, 2020, the USDA announced that it will delay

[1] Statistics Canada.

enforcement of certain requirements of the interim final regulation pertaining to analytical testing and disposal requirements until October 31, 2021, or publication of the final rule, whichever occurs first.

Further, under the 2018 Farm Bill, the United States Food and Drug Administration (the “FDA”) has retained its authority to regulate products containing cannabis or cannabis-derived compounds, including CBD, under the Food, Drug and Cosmetics Act (the “FDCA”) and section 351 of the Public Health Service Act. On May 31, 2019, the FDA held its first public meeting to discuss the regulation of cannabis-derived compounds, including CBD. The meeting included stakeholders across academia, agriculture, consumer, health professional, and manufacturer groups, and was intended to explore new pathways for hemp-derived CBD to be sold legally in the food and supplement markets, while protecting research into future pharmaceutical applications. The FDA has expressed an interest in fostering innovation with regard to the development of products containing hemp-derived compounds, such as CBD; however, the FDA has indicated that those actions will have to fit under the confines of current law and further legislation will likely be required. In November 2019, the FDA issued guidance and a description of its activities, in which the FDA stated that only hemp seed oil, hulled hemp seed, and hemp seed powder were “Generally Recognized as Safe” (“GRAS”) as ingredients in food, and that CBD and THC were not GRAS. In the guidance, the FDA has taken the position that a food product or dietary supplement containing CBD would be “adulterated” and could not legally be marketed in the U.S. The FDA has continued to issue warning letters to manufacturers of food or dietary supplements that are labeled as including CBD. The FDA has approved one prescription drug containing CBD and has taken the position that no other product can be marketed as containing CBD without approval as a new drug. There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. Additionally, the 2018 Farm Bill does not legalize “marihuana” (as such term is defined in the CSA), which remains a Schedule I controlled substance under the CSA.

On November 3, 2020, ballot initiatives regarding the establishment of medical use regulatory frameworks in Mississippi and South Dakota, and adult-use regulatory frameworks in Arizona, New Jersey, Montana, and South Dakota, successfully passed. Other states, including New York, Connecticut, Pennsylvania, Rhode Island, Virginia, and New Mexico, are currently considering the implementation of adult-use regulatory frameworks as well. Furthermore, multiple legislative reforms related to cannabis have been introduced in the U.S. Congress. Examples include the proposed bills styled as the Medical Marijuana Research Act, the Marijuana Opportunity Reinvestment and Expungement Act, the Strengthening the Tenth Amendment Through Entrusting States Act, and the Secure and Fair Enforcement Banking Act. Currently, these proposed bills have not been approved by both chambers and have not been presented to the President Joe Biden for signature. The emergence and ongoing effect of the COVID-19 pandemic may impact the timeline for the potential passage of these reforms as regulators prioritize their response to the health and economic crisis. 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.

Please refer to “Description of Business and Industry – Corporate Position on Conducting Business in the United States and Other International Jurisdictions Where Cannabis is Federally Illegal” and “Risks and Uncertainties” herein, “Risk Factors” in the AIF, and the section entitled “Risk Factors” in the CGC Transaction Circular for additional details.

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

While the Company does not currently engage in activities in the U.S. related to cultivating and distributing cannabis given that cannabis is 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 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 stock exchange policies.

Certain other Investees, such as Headset (a company with a business intelligence and analytics software platform) and Civilized (a media company), also have ancillary involvement with U.S. cannabis-related activities. Both Headset and Civilized, in part, specifically target and derive a portion of their 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.

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. with regards to cannabis are amended, or, if applicable, the date that the stock exchange(s) upon which the Subordinated Voting Shares are listed permit an 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 Headset and Civilized being approximately $10,500 to date, an immaterial amount relative to 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 currently only conducts business and only invests 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 Nasdaq. 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 endeavours 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 may 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, "Risk Factors" in the AIF, and the section entitled "Risk Factors" in the CGC Transaction Circular for additional details.

Notwithstanding the forgoing, as discussed above in "Corporate and Investment Strategy", in anticipation of the completion of the CGC Transaction, the independent directors of the Company are in the process of comprehensively re-evaluating the Company's business and investment strategy. Among the initiatives that the Company is considering are potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market.

The Company believes that the market opportunity in the U.S. continues to be significant, particularly in light of the outcome of the recent U.S. federal election. The U.S. cannabis market is currently comprised of 15 fully legalized states and 36 medical-only states, totalling an addressable population of approximately 233 million people. According to data published by BDS Analytics and Arcview Market Research in April 2020, the country's legal cannabis sales totaled approximately US$12.4 billion in 2019. The Company expects sales to trend higher as a result of a continuation of medical and adult-use programs rolling out across states, coupled with a pro-reform federal government under the leadership of President Joe Biden. Despite the changing political environment, many participants in the U.S. cannabis market continue to experience uncertain and constrained access to capital. Accordingly, the Company believes that, on completion of the CGC Transaction, it will be well-positioned with its strong *pro forma* balance sheet and existing expertise and knowledge of the U.S. cannabis landscape to enter the U.S. market in earnest. The Company intends to pursue opportunities as soon as practicable following closing of the CGC Transaction, but at this time the Company cannot provide any timetable as to when or if a transaction may occur. Please refer to "Risks and Uncertainties" herein and the section entitled "Risk Factors" in the CGC Transaction Circular for additional details.

As any investments or acquisitions in the U.S. cannabis market may be inconsistent with TSX Staff Notice 2017-0009 – *Business Activities Related to Marijuana in the United States*, the Company is initiating the process to de-list its securities from the TSX and list its securities on a stock exchange that does not prohibit such investments or acquisitions. In that regard, the Company has initiated discussions with potential alternative exchanges with respect to the listing of its securities following completion of the CGC Transaction. Listing will be subject to satisfaction of all listing requirements of such exchange. The Company will seek to effect the change in listing as soon as practicable following completion of the CGC Transaction.

The Company is also in discussions with current service providers whose terms of service prohibit the Company from making investments or acquisitions in the U.S. cannabis market regarding any necessary transition to service providers whose terms of service would not prohibit such activities. Based on its discussions to date, the Company believes that it will be able to complete any required transition to new service providers on a timely basis and prior to undertaking any activities in the U.S. cannabis market.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (“COVID-19”) as a global pandemic. COVID-19 continues to spread in Canada, the U.S., Europe, and globally, including in multiple jurisdictions where the Company and the Investees have operations. The COVID-19 pandemic has caused companies and various international jurisdictions to impose restrictive measures such as quarantines, business closures, and travel restrictions and has had a negative impact on the global economy. The situation is evolving rapidly, but the Company continues to monitor developments and actively assess the impact of the COVID-19 pandemic on its employees, service providers, the Investees, and the Company has a whole, and, where possible, has adopted measures to mitigate such impact.

The health and safety of the Company’s employees remains a top priority. In response to the COVID-19 pandemic, the Company activated a crisis response plan driven by local health authority guidelines and government mandates, which is re-evaluated on an ongoing basis. As part of its plan, the Company has implemented certain preventative measures, including a work-from-home program and restrictions on business travel and in-person meetings. The Company has also provided guidance to its employees on social distancing measures. As substantially all day-to-day activities of the Company can be fully performed by personnel working remotely, the Company has been and remains fully operational, and the operation of the Company’s financial reporting systems, internal control over financing reporting, disclosure controls and procedures, and overall investment strategy remain unchanged.

The Company is also taking measures to manage its cash resources at a time when liquidity is constrained due to the significant and broad economic challenges caused by the COVID-19 pandemic. On May 28, 2020, following a strategic and operational review of its business, the Company announced a series of changes designed to optimize its organization structure, streamline operations, and preserve and maximize cash-on-hand. These changes include: a material reduction in the Company’s operating cash outflows, including a reduction in headcount, directors’ compensation, marketing expenses, and general corporate expenses of a targeted minimum of 35% from the Company’s fiscal year 2020 operating cash outflows on a normalized basis; a focus on generating positive cash flow from operations for fiscal year 2021; and a focus on maximizing returns on existing assets. There is no assurance that the Company will meet the expense-reduction targets outlined in the announcement.

COVID-19 has had an impact on the business of the Company and its Investees and the financial prospects of certain Investees have been negatively impacted by the pandemic. For example, the business operations of Canapar, a former Investee that is located in Italy (a jurisdiction that was severely impacted by COVID-19) and that the Company divested on December 30, 2020, were shut down for several months. Other Investees, such as Greenhouse Juice and High Beauty, are dependent upon a functioning retail distribution landscape, which has been significantly impacted in both Canada and the U.S. by social distancing measures, closures, and lockdowns. Furthermore, COVID-19 initially slowed the roll-out of additional brick-and-mortar retail locations in Ontario, Canada’s most populous province, and it is possible that because of this slowdown, growth of the Canadian cannabis market could come under further pressure, which may directly impact the Company’s Canadian licensed Investees, such as Agripharm, PharmHouse, and Radicle.

Going forward, the Company expects to continue to experience some short to medium-term negative impacts from the COVID-19 pandemic, including continued supply and staff shortages for certain Investees, a reduction in demand for certain Investees’ products and services, mandated social distancing and quarantines, impacts of declared states of emergency, public health emergencies and similar declarations, increased governmental regulations, capital markets volatility, a reduction in available financing for the Company and the Investees and an elevated cost of capital. As a result of the outbreak of the COVID-19 pandemic, regulatory developments, challenges affecting certain companies in the cannabis industry, and other general economic factors that may have an adverse impact on certain Investees, the contracts of certain Investees, including contracts with the Company, may be renegotiated or terminated.

At this time, it is impossible to predict the effect and overall impact of the COVID-19 pandemic on the operations, liquidity, and financial results of the Company or any of the Investees due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, containment and treatment of COVID-19, and the length of the travel restrictions and business closures that have been or may be imposed by government authorities. However, the impact of the COVID-19 pandemic has, and will likely continue to, adversely affect global economies and financial markets, resulting in an economic downturn that could have a material adverse effect on the business, financial condition, operating results, and cash flows of the Company and the Investees. Please refer to “Risks and Uncertainties” herein for additional details.

CORPORATE DEVELOPMENTS

Financing Activities

Overview of Capital Structure

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. If a Multiple Voting Share is transferred to a third party, other than a wholly-owned subsidiary of CGC, CGC will automatically be deemed to have exercised its right to convert such Multiple Voting Share into a fully-paid and non-assessable Subordinated Voting Share, on a one for one basis. In addition, all Multiple Voting Shares will automatically convert into Subordinated Voting Shares on the date on which CGC holds such number of Shares that represent, in the aggregate, less than 12.5% of the total number of issued and outstanding Shares. Please refer to "Corporate Developments – CGC Transaction" herein for additional details on the anticipated impact of the CGC Transaction on CGC's ownership interest in the Company.

Capital Activity During the Period

There were no financings completed during the three and nine months ended December 31, 2020.

Summary of Historical Financing Activities

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

Summary of Financing Activities following Qualifying Transaction				
Date	**Description**	**Shares Class**	**Shares Issued**	**Gross Proceeds**
February 27, 2019	Bought deal	Subordinated Voting Shares	13,225,000	$63,480
	Brokered private placement	Subordinated Voting Shares	6,250,000	$30,000

Normal Course Issuer Bid

On April 2, 2020, the Company commenced a normal course issuer bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 10,409,961 Subordinated Voting Shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Daily purchases under the NCIB are limited to 70,653 Subordinating Voting Shares, which represents 25% of the average daily trading volume of the Subordinated Voting Shares on the TSX over a specified period. Subordinated Voting Shares purchased under the NCIB will be cancelled. The NCIB will expire on April 1, 2021.

During the three and nine months ended December 31, 2020, the Company repurchased for cancellation a total of nil and 273,300 Subordinated Voting Shares, respectively, pursuant to the NCIB for $nil and $307, at a weighted average acquisition price of $nil and $1.11 per Subordinated Voting Share (three and nine months ended December 31, 2019 – not applicable).

Investments

During the three and nine months ended December 31, 2020, the Company added nil and one Investee to its portfolio, respectively, and divested its interest in one Investee. 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, 2020.

Investments Held as at March 31, 2020

Further information on these investments can be found in the table below and in the Interim Consolidated Financial Statements.

Agripharm

Agripharm Corp. ("Agripharm") is a company licensed to cultivate, process and sell dried and fresh cannabis, cannabis plants, cannabis seeds, edible cannabis, and cannabis extracts and topicals under the Cannabis Act. Agripharm is a joint venture between CGC, 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 O.penVAPE, Bakked, Pressies, 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 570,000 square foot outdoor cultivation lot located on a 20-acre property that provides expansion potential.

Prior to March 31, 2020, the Company entered into a repayable debenture agreement and royalty agreement with Agripharm, and received warrants to purchase common shares of Agripharm.

On November 15, 2020, the Company's warrant to acquire 4% of Agripharm for $5,000 expired.

During the nine months ended December 31, 2020, the Company determined that there was a significant risk that Agripharm would not be able to meet its financial obligations pursuant to the royalty agreement due to underlying financial challenges and business conditions, including the payment of the outstanding overdue royalty balance owing to the Company of $5,614 and future minimum annual royalties of $4,000. Accordingly, the Company recognized a provision for expected credit losses on the royalty receivable and adjusted the cash flow assumptions used in its fair value estimate for the royalty interest to reflect projections of royalty payments that Agripharm would be expected to be able to service, which resulted in a material decrease in the estimated fair value of the royalty interest for the three and nine months ended December 31, 2020. Please refer to "Results of Operations" for additional details.

BioLumic

BioLumic Inc. ("BioLumic") is an emerging leader in the emerging field of light signal treatments for agriculture, with a focus on unlocking the natural genetic potential of plants. BioLumic's Light Signals Recipes™ have demonstrated yield gains, fuller genetic expression, impact on plant architecture, and improved disease resistance without the addition of chemicals or major input costs. The company has applied its technology and research to cannabis, soybeans, corn, lettuce, and strawberries, and is exploring additional controlled environment agriculture and row crop applications. In the cannabis industry, BioLumic has conducted trials on multiple strains that show up to 90% increase in THC production per plant through a combination of yield and THC-concentration gains. The company is currently expanding through partnerships, with a focus on North America.

Prior to March 31, 2020, the Company entered into a convertible promissory note agreement with BioLumic.

On August 13, 2020, the principal amount of $2,024 (U.S. $1,500) that the Company had advanced to BioLumic pursuant to the convertible promissory note, along with accrued interest, converted into 381,590 preferred shares of BioLumic.

Also on August 13, 2020, the Company completed a follow-on investment of $668 (U.S. $500) in BioLumic pursuant to a second convertible promissory note agreement. The note matures on August 13, 2022, and bears interest at a rate of 6% per annum, calculated and compounded annually. The outstanding principal amount and any accrued interest is convertible, upon the occurrence of certain events, into preferred shares of BioLumic.

Civilized

Civilized Worldwide Inc. ("Civilized") is a modern media company and lifestyle brand focused on elevating cannabis culture. Civilized's original business model was to develop platforms utilized for the purpose of mainstream communication pertaining to the global cannabis industry through, among other things, a news and entertainment website that publishes proprietary and third-party content. Due to recent challenges, Civilized is currently re-assessing its business model and is exploring a potential restructuring of its capital structure.

Prior to March 31, 2020, the Company entered into a convertible debenture agreement with, and received warrants to purchase class A common shares of, Civilized. As of the date of this MD&A, the Company does not currently ascribe any value to its investments in Civilized.

Greenhouse Juice

10831425 Canada Ltd. d/b/a/ Greenhouse Juice Company ("Greenhouse Juice") is an organic, plant-based food and beverage company. Founded in January 2014, Greenhouse Juice has expanded from a single retail store in Toronto to an omnichannel business with a number of company-owned stores, an e-commerce delivery service, and a growing network of grocery and foodservice partners with hundreds of retail locations across Canada, including both specialty boutiques and national/international chains like Whole Foods and Sobeys. Greenhouse Juice manufactures its beverages in a purpose-built, SQF-, HACCP- and organic-certified production facility in Mississauga, Ontario.

Prior to March 31, 2020 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.

Effective April 30, 2020, and August 16, 2020, the Company and Greenhouse Juice amended select terms of the unsecured convertible debenture agreement to extend the maturity and automatic conversion date of the debenture from April 30, 2020, to October 1, 2020.

During the three months ended September 30, 2020, as a result of COVID-19 related issues that have impacted Greenhouse Juice's ongoing operations and caused revenue to decline, the Company adjusted its estimate of Greenhouse Juice equity value based on existing financial metrics and market-based value ratios. This resulted in a material decrease in the total estimated fair value of the financial assets held by the Company relating to Greenhouse Juice for the three and six months ended September 30, 2020.

On October 1, 2020, the principal amount of $3,000 that the Company had advanced to Greenhouse Juice pursuant to the unsecured convertible debenture agreement converted into 1,981,248 preferred shares of Greenhouse Juice, representing an equity interest of approximately 27% on a fully-diluted basis (assuming the exercise of the preferred share purchase warrants, excluding the control warrant).

Headset

Headset, Inc. ("Headset") is a market intelligence and analytics software platform for the cannabis industry. With services that provide access to information on sales trends, emerging industries, popular products, and pricing, Headset's proprietary software platform allows customers to use data to identify new areas of opportunity, understand the competition, and tailor product development. Headset has 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 has launched its Insights market intelligence product in multiple adult-use cannabis markets in the U.S. (California, Colorado, Michigan, Massachusetts, Nevada, Oregon, and Washington) and in Canada (Alberta, British Columbia, and Ontario), and its retail data intelligence tool in Canada and the U.S.

Prior to March 31, 2020, the Company acquired preferred shares of Headset.

On August 10, 2020, the Company advanced $1,080 (U.S. $800) to Headset pursuant to a convertible promissory note agreement. The note matures on December 31, 2021, and bears interest at a rate of 8% per annum, calculated and compounded annually. The outstanding principal amount and any accrued interest is convertible, upon the occurrence of certain events, into preferred shares of Headset.

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 had intentions 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. The commercialization of the company's products was delayed due to a number of factors and Herbert is currently re-assessing its business plan.

Prior to March 31, 2020, 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.

As at June 30, 2020, as a result of previously-recognized impairment charges and cumulative net losses, the carrying value of the Company's investment in Herbert preferred shares had been reduced to $nil.

High Beauty

High Beauty, Inc. ("High Beauty") is a multiple-brand beauty company, offering *high* and *CanBE Naturally* products. Both brands are formulated using cannabis sativa seed oil, which is free of THC and CBD, in combination with certified organic plant oils, high-potency antioxidants, and pure plant essential oils. The company has distribution partnerships through 33 retailers with 2,836 stores in the U.S., Canada, and the European Union. The *high*-branded portfolio of facial products includes a cleansing foam, oil, moisturizer, eye gel, and peeling mask. *high* is sold through U.S. retailers including Macy's, Kohls, ShopHQ, SkinStore, Revolve, and Sprouts Markets, as well as global retailers including Shopper's Drug Mart, Today's Shopping Choice, Hudson Bay, and Indigo in Canada, and Douglas, Ideal World, and Cult Beauty in Europe. *high* has been seen in WWD, OK!, Elle, Cosmopolitan, Forbes and Business Insider. The *CanBE Naturally* brand offers three products, including a cleansing gel, moisturizer, and oil. *CanBE Naturally* is distributed through U.S. retailers, including 1,760 CVS stores nationwide, Amazon, Walmart.com, SkinStore, and AskDerm. canbenaturally.com offers direct to consumer sales.

Prior to March 31, 2020, the Company acquired preferred shares of, entered into a senior secured convertible promissory note with, and received warrants to purchase additional preferred shares of, High Beauty.

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 5,250 cannabis retailers across 26 territories in the U.S. with 1,720 vendors, servicing approximately US$3.0 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 49 cannabis retailers and 50 vendors in Canada, with further provincial expansion underway.

Prior to March 31, 2020, the Company acquired common shares of LeafLink International.

PharmHouse

PharmHouse Inc. ("PharmHouse"), a company licensed to cultivate cannabis under the Cannabis Act, is currently subject to creditor protection proceedings under the CCAA. PharmHouse was formed as 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 Majority Shareholder"). PharmHouse owns a 1,300,000 square foot automated greenhouse in Leamington, Ontario, which is fully licensed for cultivation.

During the nine months ended December 31, 2020, several significant developments occurred at PharmHouse that have had a material negative impact on the Company, which are summarized below.

<u>CCAA Proceedings</u>

During the nine months ended December 31, 2020, for a variety of reasons, it was determined that the previously anticipated timeline for PharmHouse to generate cash flows from its offtake agreements with CGC and TerrAscend Canada would not be met, and the ultimate timing and receipt of cash inflows pursuant to these agreements became uncertain. As a result of these factors, as well as broader sector-wide challenges impacting the Canadian cannabis industry (including a slower-than-expected build-up of the market and a general imbalance of supply and demand), PharmHouse did not have sufficient liquidity and capital resources to meet its business objectives and became unable to meet its financial obligations as they became due.

Accordingly, on September 15, 2020, PharmHouse obtained an order (the “Initial Order”) from the Ontario Superior Court of Justice (Commercial List) (the “Court”) granting PharmHouse creditor protection under the CCAA (the “CCAA Proceedings”). Ernst & Young Inc. was appointed by the Court to act as the Monitor of PharmHouse in the CCAA Proceedings while PharmHouse explores a potential restructuring of its business and operations (the “Restructuring”). As of the date of this MD&A, the CCAA Proceedings are ongoing and PharmHouse has continued its business operations with funding provided by the DIP Financing (as defined herein). While PharmHouse has not yet delivered any accepted product to either offtake counterparty, PharmHouse has multiple flowering zones planted as it continues to work toward servicing its offtake agreements and developing relationships with potential new customers. There is no guarantee that PharmHouse or the counterparties to the existing offtake agreements will be able to comply with the terms of the existing offtake agreements, or that PharmHouse will be able to identify alternative revenue sources for the cannabis currently being cultivated in its facility.

On October 29, 2020, PharmHouse received approval from the Court to commence its Sale and Investor Solicitation Process ("SISP"). The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of PharmHouse's assets or business. This may include a restructuring, recapitalization, or other form of reorganization of PharmHouse's business and affairs. Phase one of the SISP concluded on November 30, 2020, and a number of non-binding offers were received. PharmHouse, with the assistance of the monitor and the SISP advisor, selected a number of parties to bring forward to the next phase of the SISP, and binding offers for phase two of the SISP are due on or about February 16, 2021.

<u>PharmHouse Recoverability Assessment</u>

As a result of the CCAA Proceedings and the Restructuring, the Company determined that the recoverable amounts of various PharmHouse-related financial assets may be less than their respective carrying amounts.

The Company estimated the recoverable amount of PharmHouse en bloc to determine the quantum of charges to be recognized in respect of its various financial assets. Due to the lack of profitable operating history of PharmHouse as a cannabis entity, the Company estimated the recoverable amount of PharmHouse en bloc using the total fair value less costs of disposal (“FVLCD”) of PharmHouse’s assets and then compared this amount to the carrying values of the various PharmHouse-related financial assets held by the Company, in sequence based on the priority of claims on PharmHouse’s assets (the “PharmHouse Recoverability Assessment”).

As at December 31, 2020, the Company estimated the recoverable value of PharmHouse’s assets in an orderly liquidation scenario where the facility is no longer used for cannabis operations to be approximately $57,500. Further information can be found in Notes 5 and 14 of the Interim Consolidated Financial Statements.

<u>PharmHouse Guarantee</u>

Prior to December 31, 2020, PharmHouse entered a syndicated credit agreement (as amended, the “PharmHouse Credit Agreement”) with a number of Canadian banks (the “Lenders”) for a committed, non-revolving credit facility with a maximum principal amount of $90,000, which was fully drawn. 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 Guarantee”). Accordingly, if PharmHouse is not able to generate sufficient cash flows to service its obligations pursuant to the PharmHouse Credit Facility, the Company may be required to compensate the Lenders for their loss incurred on the PharmHouse Credit Facility. The PharmHouse Credit Agreement also contains other covenants applicable to the Company.

Based on the PharmHouse Recoverability Assessment, the Company determined that the recoverable amount of PharmHouse’s assets under an orderly liquidation scenario where the facility is no longer used for cannabis operations may be less than the principal amount owed by PharmHouse to the Lenders pursuant to the PharmHouse Credit Facility. Accordingly, the Company remeasured its financial liability related to the PharmHouse Guarantee to incorporate the recoverable amount of PharmHouse en bloc. As at December 31, 2020, the Company estimated the carrying value of the financial liability related to PharmHouse Guarantee to be $32,500 and recognized a financial guarantee liability for this amount on its statement of financial position, as well as a corresponding provision for expected credit losses of the PharmHouse Guarantee on its statement of comprehensive income (loss) in the Interim Consolidated Financial Statements. The Company estimated the increase to the financial guarantee liability during the three months ended December 31, 2020, taking into consideration the recoverable value of the underlying assets at PharmHouse. A further deterioration in PharmHouse’s credit worthiness, an inability to generate sufficient future cash flows, or a significant decrease in the value of the security granted pursuant to the PharmHouse Credit Facility below that estimated in the PharmHouse Recoverability Assessment will expose the Company to the risk of additional losses due to the PharmHouse Guarantee. There is a risk that the actual net proceeds that PharmHouse would realize upon an orderly liquidation of its assets is materially less than that estimated in the PharmHouse Recoverability Assessment, which would materially increase the Company's financial liability in respect of the PharmHouse Guarantee.

DIP Financing

Pursuant to the Initial Order, Canopy Rivers entered an agreement to provide PharmHouse with a debtor-in-possession ("DIP") interim, non-revolving credit facility up to a maximum amount of $7,214 (including accrued interest) (the "DIP Financing") to enable the company to continue its day-to-day operations throughout the anticipated Restructuring. The DIP Financing bears interest at a rate of 8% per annum, calculated and compounded monthly and payable on the maturity date, which was the earlier of December 29, 2020, and the date the CCAA Proceedings are terminated. The DIP Financing is subordinate to PharmHouse's obligations to the Lenders under the PharmHouse Credit Facility.

On December 15, 2020, the Company amended the DIP Financing agreement entered into between the Company and PharmHouse. As a result of this amendment, the maximum amount available to be drawn by PharmHouse pursuant to the DIP Financing increased from $7,214, to $9,700 (including accrued interest), and the maturity date was extended from December 29, 2020, to February 28, 2021. On December 18, 2020, the Court approved the DIP Financing amendment and extended the stay of proceedings in respect of PharmHouse until February 28, 2021, inclusively.

As at December 31, 2020, and as of the date of this MD&A, the Company had advanced $8,300 and $9,300 pursuant to the DIP Financing, respectively.

As discussed in Note 5 of the Interim Consolidated Financial Statements, as a result of the PharmHouse Recoverability Assessment, the Company determined the amounts advanced pursuant to the DIP Financing may not be recoverable and accordingly, the Company recognized a provision for expected credit losses of $6,200 and $8,300 on its statement of comprehensive income (loss) in the Interim Consolidated Financial Statements for the three and nine months ended December 31, 2020, respectively, and may recognize an additional provision for expected credit losses for the amounts advanced pursuant to the DIP Financing subsequent to December 31, 2020.

PharmHouse Loans Receivable

Prior to March 31, 2020, the Company had advanced $40,000 of secured debt financing pursuant to a shareholder loan agreement with PharmHouse and $2,450 pursuant to a secured demand promissory note.

On August 4, 2020, the Company entered into an unsecured demand promissory note agreement with PharmHouse, pursuant to which it made total advances of $1,206 between August 4, 2020, and September 8, 2020. The unsecured demand promissory note bears interest at a rate of 12% per annum.

Accordingly, as at December 31, 2020, the Company had advanced an aggregate total of $43,656 (with accrued interest of $8,934) pursuant to the shareholder loan, secured demand promissory note, and unsecured demand promissory note.

As discussed in Note 5 of the Interim Consolidated Financial Statements, as a result of the PharmHouse Recoverability Assessment, the Company determined that the principal amounts advanced pursuant to the shareholder loan, secured demand promissory note, and unsecured demand promissory note, as well as the interest receivable across these debt instruments, may not be recoverable and recognized a full provision for expected credit losses on these balances on its statement of comprehensive income (loss) in the Interim Consolidated Financial Statements.

PharmHouse Equity

Prior to March 31, 2020, the Company acquired 10,998,660 common shares of PharmHouse at a price of $1.00 per share for a total investment of $10,999. The carrying value of the Company's investment in PharmHouse common shares on its statement of financial position also included the estimated fair value of the warrants the Company issued to the PharmHouse Majority Shareholder upon the formation of the joint venture.

In accordance with *IAS 28, Investments in Associates and Joint Ventures*, the Company records its share of income or loss from equity method investees one quarter in arrears, and makes necessary adjustments to account for any significant events or transactions that have occurred since the indicated reporting period end. As discussed in Note 5 of the Interim Consolidated Financial Statements, as a result of the CCAA Proceedings, the Company adjusted PharmHouse's net income for the three months ended June 30, 2020, which was reflected in the Company's operating results for the three months ended September 30, 2020, to account for the impairment on fixed assets implied by the PharmHouse Recoverability Assessment. As a result, the carrying value of the Company's common equity investment in PharmHouse was reduced to $nil in the Interim Consolidated Financial Statements.

Statement of Claim

On September 14, 2020, the Company received a statement of claim (the "September 2020 Claim") filed by the PharmHouse Majority Shareholder concerning certain disputes relating to PharmHouse. The September 2020 Claim made a number of allegations against the Company, CGC, TerrAscend, and TerrAscend Canada, including claims relating to bad faith, fraud, civil conspiracy, breach of the duty of honesty and good faith in contractual relations, and breach of fiduciary duty, and claims relating to PharmHouse's offtake agreements with CGC and TerrAscend Canada. Pursuant to the Initial Order, the September 2020 Claim was stayed in conjunction with the CCAA Proceedings. On October 30, 2020, in connection with the CCAA Proceedings, the Court issued an endorsement pursuant to which the PharmHouse Majority Shareholder discontinued the September 2020 Claim and agreed not to issue a new claim in respect of this matter prior to January 1, 2021.

Subsequent to the quarter, the Company received a statement of claim (the "New Claim") filed by the PharmHouse Majority Shareholder concerning certain disputes relating to PharmHouse. The New Claim is substantially similar to the September 2020 Claim. As with the September 2020 Claim, the Company views the New Claim as it relates to its actions to be completely without merit and intends to vigorously defend its position at the appropriate time and in the appropriate forum.

Radicle

Radicle Medical Marijuana Inc., a subsidiary of Radicle Cannabis Holdings Inc. (together, "Radicle"), is a white label 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 occupies a 140,000 square foot indoor facility, which is being developed in phases, with 40,000 square feet currently in operation. Radicle's products are currently available for sale through the Ontario Cannabis Store, private and government-run retailers in British Columbia, and several retailers in Saskatchewan.

Prior to March 31, 2020, the Company entered into a repayable debenture agreement, royalty agreement, and convertible debenture agreement with, and acquired common shares and received warrants to purchase additional common shares of, Radicle.

TerrAscend and TerrAscend Canada

TerrAscend Corp. ("TerrAscend") is a publicly-traded company listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TER" and on the OTCQX under the trading symbol "TRSSF", with operations in both Canada and the U.S. 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. 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. Based in Mississauga, Ontario, TerrAscend Canada operates a 67,300 square foot facility, which has received its European Union Good Manufacturing Practices ("GMP") certification, and has onsite laboratories, and processing and distribution capabilities.

Prior to March 31, 2020, 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. Due to the liquidity restrictions attached to the Exchangeable Shares, the Company is required to report its investment in the Exchangeable Shares on its statement of financial position at a significant discount to the value implied by the trading price of TerrAscend's shares on the CSE.

In addition, prior to March 31, 2020, the Company completed an investment in TerrAscend Canada. The investment was structured to include three components, including a term loan (the "TerrAscend Loan") with TerrAscend Canada and two sets of common share purchase warrants in TerrAscend (the "TerrAscend Warrants I" and "TerrAscend

Warrants II”). The TerrAscend Warrants I and TerrAscend Warrants II are only exercisable following the TerrAscend Triggering Event and expire on October 2, 2024. The TerrAscend Loan and the 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”.

Pursuant to the CGC Transaction, the Company has agreed, subject to the satisfaction of conditions related thereto, to cause CRC to transfer to CGC, the Exchangeable Shares, the TerrAscend Loan, the TerrAscend Warrants I, and the TerrAscend Warrants II. Please refer to “Corporate Developments – CGC Transaction” herein for additional details on the anticipated impact of the CGC Transaction on the Company’s investment in the Exchangeable Shares, TerrAscend Term Loan, and TerrAscend Warrants II.

Tweed Tree Lot

Tweed Tree Lot (formerly Spot Therapeutics Inc.) is a licence holder under the Cannabis Act and wholly-owned subsidiary of CGC based in Fredericton, New Brunswick.

Prior to March 31, 2020, 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 December 9, 2020, CGC announced plans to cease its ongoing operating activities at the Fredericton property. As at December 31, 2020, there had been no amendments to the lease agreement between the Company and the Tweed Tree Lot.

Pursuant to the CGC Transaction, the Company has agreed, subject to the satisfaction of conditions related thereto, to terminate the royalty agreement with Tweed Tree Lot. Please refer to “Corporate Developments – CGC Transaction” herein for additional details on the anticipated impact of the CGC Transaction on the Company’s investment in the Tweed Tree Lot royalty interest.

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. (“Bertrand”), a large-scale, Quebec-based greenhouse operator and former producer of pink tomatoes. Based in Mirabel, Quebec, Vert Mirabel currently operates a 700,000 square foot greenhouse, located on 98 acres of land, licensed and operating for cannabis production.

Prior to March 31, 2020, the Company acquired common shares and class A preferred shares of Vert Mirabel. The value of the Company’s investments in Vert Mirabel is subject to risk from economic reliance on CGC due to the fact that CGC is considered to be a controlling shareholder of Vert Mirabel as a result of the rights afforded to it pursuant to the shareholders agreement among CRC, CGC, and Bertrand, and that CGC is currently the only customer of Vert Mirabel pursuant to an offtake agreement whereby CGC acquires 100% of the cannabis produced at Vert Mirabel at a discount to prevailing market prices.

Pursuant to the CGC Transaction, the Company has agreed, subject to the satisfaction of conditions related thereto, to cause CRC to transfer to CGC, the Vert Mirabel common shares (subject to a right of first refusal in favour of Bertrand), and the Vert Mirabel preferred shares. Please refer to “Corporate Developments – CGC Transaction” herein for additional details on the anticipated impact of the CGC Transaction on the Company’s investment in the preferred shares and common shares of Vert Mirabel.

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 19 licensed-operating retail stores in Alberta and Saskatchewan, and has commenced expansion activities into Ontario.

Prior to March 31, 2020, the Company acquired common shares of YSS.

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 has begun developing the PhotoSeed™ technology for hemp.

Prior to March 31, 2020, the Company acquired preferred shares of ZeaKal.

New Investments Made During the Nine Months Ended December 31, 2020

Dynaleo

Dynaleo Inc. ("Dynaleo") is a company licensed to produce cannabis edibles under the Cannabis Act. Based in Nisku, Alberta, Dynaleo operates a 27,000 square foot purpose-built facility, and is focused on manufacturing edible cannabis gummies for the Canadian adult-use market by way of white-label contracts and Dynaleo-branded products.

On April 6, 2020, the Company invested $2,000 in Dynaleo pursuant to an unsecured convertible debenture agreement. The Company also received 1,000,000 common share purchase warrants of Dynaleo with an exercise price of $1.4245 per common share.

On August 31, 2020, the principal amount of $2,000 that the Company had advanced to Dynaleo pursuant to the convertible debenture, along with accrued interest, converted into 1,499,569 common shares of Dynaleo, representing an equity interest of approximately 11% on a fully-diluted basis (assuming the exercise of the common share purchase warrants).

Divestments Made During the Three and Nine Months Ended December 31, 2020

Canapar

Canapar Corp. ("Canapar"), through its wholly-owned subsidiary, Canapar SrL ("Canapar Italy"), is focused on hemp cultivation and extraction in Sicily, Italy.

Prior to March 31, 2020, the Company acquired common shares of Canapar and received a call option to purchase 100% of Canapar's interest in its investees.

On December 30, 2020, the Company entered into a definitive share purchase agreement with RAMM Pharma Corp. ("RAMM"), pursuant to which the Company sold its 49% common equity interest in Canapar to RAMM for consideration of up to $9,000. Under the terms of the agreement, RAMM delivered a cash payment of $7,000 to the Company on closing to purchase the 29,833,333 common shares in Canapar held by the Company. The transaction also includes contingent consideration of $2,000 to be paid to the Company upon the achievement by Canapar of certain operational milestones. The contingent portion of the consideration will be satisfied, at RAMM's sole discretion, in either cash or through the issuance of common shares in RAMM to the Company.

Summary

Below is a summary of the Company's investments as at December 31, 2020. Please refer to Note 14 of the Interim Consolidated Financial Statements for information relating to the Company's fair value estimates for these financial instruments.

Yield Investments			
Investee	**Investment**	**Capital Advanced as at Dec. 31, 2020**	**Notes(1)**
Agripharm(2)	Royalty interest	$20,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment based on 20% of the amount advanced
BioLumic	Second convertible promissory note	$668	• Amount drawn under the promissory note bears interest at a rate of 6% per annum, payable at the maturity date or at the date that a qualified financing occurs • Convertible into 117,966 preferred shares of BioLumic (excluding accrued interest)
Civilized(3)	Convertible debenture	$5,120	• Amount drawn under the debenture bears interest at a rate of 14% per annum

Yield Investments			
Investee	**Investment**	**Capital Advanced as at Dec. 31, 2020**	**Notes[1]**
			• Convertible into 467,580 class A common shares of Civilized (excluding accrued interest)
Greenhouse Juice	Secured convertible debenture	$6,000	• Amount drawn under the debenture bears interest at a rate of 12% per annum, payable at the maturity date • Convertible into 3,962,496 preferred shares of Greenhouse Juice (excluding accrued interest)
Headset	Convertible promissory note	$1,080	• Amount drawn under the promissory note bears interest at a rate of 8% per annum, payable at the maturity date or at the date that a qualified financing occurs • Convertible into 455,063 preferred shares of Headset (excluding accrued interest)
High Beauty	Convertible promissory note	$1,009	• Amount drawn under the promissory note bears interest at a rate of 8% per annum, payable at the maturity date or at the date that a qualified financing occurs • Conversion price based on per share valuation of preferred stock upon closing of a qualified financing
PharmHouse[4]	Shareholder loan	$40,000	• Amount drawn under the shareholder loan bears interest at a rate of 12% per annum, payable quarterly upon the achievement of certain sales-related milestones which may or may not be achieved • Loan is for a term of three years
	Secured demand promissory note	$2,450	• Amount drawn under the secured demand promissory note is non-interest bearing before and after demand or default
	Unsecured demand promissory note	$1,206	• Amount drawn under the unsecured demand promissory note bears interest at a rate of 12% per annum, payable on the demand date
	DIP Financing	$8,300	• Amount drawn under the DIP Financing bears interest at a rate of 8% per annum, payable at the maturity date
Radicle	Royalty interest	$5,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment of $900
	Convertible debenture	$1,000	• Amount drawn under the debenture bears interest at a rate of 12% per annum, payable semi-annually • Convertible into 1,666,667 common shares of Radicle
TerrAscend Canada[5]	Term loan	$13,243	• Amount drawn under the loan bears interest at a rate of 6% per annum, payable annually beginning December 31, 2020 • Maturity date is the earlier of October 2, 2024, and the date that TerrAscend Warrants I are exercised in full
Tweed Tree Lot[5]	Royalty interest	$13,500	• Royalty is for a term of 25 years and is subject to a minimum annual payment of $2,853
	Lease	$2,600	• Current annual payment is $580 and includes monthly lease payments and management fee • Rent escalates every five years • Lease is for a term of 20 years
Vert Mirabel[5]	Preferred shares	$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) Annual payments above are based on the contractual terms of the underlying instruments in effect as of the date of this MD&A and may not reflect actual cash amounts received by the Company. See “Risks and Uncertainties” herein.
(2) See “Corporate Developments – Investments – Agripharm” herein for additional details relating to the risks associated with the required annual payment.
(3) See “Corporate Developments – Investments – Civilized” herein for additional details relating to the current estimated value of the Company’s investment in Civilized.
(4) See “Corporate Developments – Investments – PharmHouse” herein for additional details relating to the risks associated with the required annual payment.
(5) See “Corporate Developments – CGC Transaction” herein for additional details on the anticipated impact of the CGC Transaction on the Company’s investments in TerrAscend Canada, Tweed Tree Lot, and Vert Mirabel.

Equity and Warrant Investments				
Investee	**Investment**	**Cost Base[1]**	**Number of Shares / Warrants**	**Notes**
BioLumic[2]	Preferred shares	$2,024	381,590	• Represents an approximate 11% equity interest on a fully-diluted basis
Civilized	Warrants	$1,259	221,239	• Warrants to purchase an approximate 7% equity interest on a fully-diluted basis
Dynaleo	Common shares	$1,613	1,499,569	• Represents an approximate 11% equity interest on a fully-diluted basis
	Warrants	$387	1,000,000	
Greenhouse Juice[2]	Preferred Shares	$3,000	1,981,248	• Represents an approximate 23% equity interest on a fully-diluted basis (excluding control warrant)
	Warrants	Nominal	1,386,874	• Control warrant to purchase 51% of the fully-diluted shares
Headset[2]	Preferred shares	$4,279	1,572,588	• Represents an approximate 8% equity interest on a fully-diluted basis
Herbert[3]	Preferred shares	$1,406	4,074,074	• Represents an approximate 25% equity interest on a fully-diluted basis (excluding control warrant)
	Warrants	$94	n/a	• Control warrant to purchase 51% of the fully-diluted shares
High Beauty[2]	Preferred shares	$2,867	2,500,000	• Represents an approximate 19% equity interest on a fully-diluted basis
	Warrants	$495	612,500	
LeafLink International	Common shares	$2,638	2,000,000	• Represents an approximate 17% equity interest on a fully-diluted basis
Pharm-House[4][5]	Common shares	$40,231	10,998,660	• Represents an approximate 49% equity interest on a fully-diluted basis
Radicle[2]	Common shares	$5,000	17,588,424	• Represents an approximate 25% equity interest on a fully-diluted basis
	Warrants	$40	266,667	
TerrAscend[6]	Exchangeable Shares	$12,240	19,445,285	• Exchangeable Shares are not entitled to voting rights, dividends, or other rights upon dissolution of TerrAscend and may be converted into common shares of TerrAscend following the TerrAscend Triggering Event
	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[6]	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 6% equity interest on a fully-diluted basis
ZeaKal	Preferred shares	$13,487	248,446	• 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.). Cost base for share investments that resulted from conversion of previously-held debentures is based on the original cost base of the corresponding debenture.

(2) Equity ownership on a fully-diluted basis assumes the conversion of the convertible security described in the previous table.

(3) See "Corporate Developments – Investments – Herbert" herein for additional details relating to the current estimated value of the Company's investment in Herbert.

(4) Cost base includes the estimated value of the warrants issued to the PharmHouse Majority Shareholder upon issuance.

(5) See "Corporate Developments – Investments – PharmHouse" herein for additional details relating to the current estimated value of the Company's investment in PharmHouse.

(6) See "Corporate Developments – CGC Transaction" herein for additional details on the anticipated impact of the CGC Transaction on the Company's investments in TerrAscend Canada, Tweed Tree Lot, and Vert Mirabel.

CGC Transaction

On December 21, 2020, the Company, CRC, CGC, and Tweed Tree Lot entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which, among other things, the Company will sell or transfer certain assets held by CRC to CGC in exchange for cash, common shares in the capital of CGC (the "CGC Shares"), and the cancellation of all Shares held by CGC, all by way of a plan of arrangement under the OBCA (collectively, the "CGC Transaction"). The CRC assets to be sold or transferred pursuant to the Arrangement Agreement include the TerrAscend Term Loan, TerrAscend Warrants II, TerrAscend Exchangeable Shares, Tweed Tree Lot royalty interest, Vert Mirabel common shares, and Vert Mirabel preferred shares. If approved and completed, the CGC Transaction will result in the elimination of the Company's dual-class share structure. Following close of the CGC Transaction, the Company will have a single class of voting equity securities named "Class A common shares", each of which will carry one vote per share, and CGC will no longer have any equity, debt, or other interest in the Company.

There will be a special meeting of shareholders (the "Meeting") on February 16, 2021, to approve the CGC Transaction. The CGC Transaction will require approval of at least (a) two-thirds of the votes cast by both: (i) CGC as the holder of all of the Multiple Voting Shares; and (ii) the Company's shareholders that hold the Subordinated Voting Shares; and (b) a simple majority of the votes cast by holders of Subordinated Voting Shares, excluding the votes attaching to the Subordinated Voting Shares held by CGC. The CGC Transaction also requires approval from the Court under section 182 of the OBCA.

A special committee of the Board comprised of entirely independent directors (the "Special Committee") was established to review and negotiate the CGC Transaction. After receiving legal and financial advice, including the independent formal valuation and fairness opinion of Echelon Wealth Partners ("Echelon") and a fairness opinion of Eight Capital, the Arrangement Agreement received unanimous recommendation from the Special Committee. In making its recommendation, the Special Committee considered a number of factors, including the following:

- The CGC Transaction enables the Company to access new investment opportunities;
- The CGC Transaction unlocks value for the Company;
- The CGC Transaction provides significant value and liquidity for the Company;
- The CGC Transaction eliminates the Company's dual-class share structure;
- The CGC Transaction is the result of a rigorous process undertaken by a Special Committee of independent directors;
- As of the date of the Arrangement Agreement, the value of the consideration to be received is above the midpoint of the range of the independent formal valuation;
- The Special Committee received a fairness opinion from each of Echelon and Eight Capital;
- The CGC Transaction is expected to be accretive to minority shareholders;
- The CGC Transaction is the most attractive transaction for the Company in the circumstances;
- The CGC Transaction is supported by a significant independent shareholder and the Company's directors and officers;
- The Company will continue to be a publicly-traded company;
- The CGC Transaction is subject to shareholder approval, including a class vote of the Subordinated Voting Shares and minority approval under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101");
- The CGC Transaction is subject to Court approval;
- The CGC Transaction provides shareholders with dissent rights;
- The Board retains the ability to change its recommendation;
- The Company will not pay any termination or other fees to CGC; and
- The CGC Transaction is subject to a limited number of reasonable conditions.

The Special Committee also considered a variety of risks, uncertainties, and other potentially negative aspects in its deliberations concerning the CGC Transaction, including, but not limited to, the risks set forth in the Company's Management Information Circular in respect of the CGC Transaction dated January 15, 2021 (the "CGC Transaction Circular"), and filed on SEDAR. After considering such risks, uncertainties, and potentially negative aspects, the Special Committee concluded that the reasons in favour of its recommendation outweighed such risks, uncertainties, and potentially negative aspects.

As discussed above, in anticipation of the completion of the CGC Transaction, the independent directors of the Board, in consultation with management and external advisors, are in the process of comprehensively re-evaluating the Company's business and investment strategy. Among the initiatives that the Company is considering are potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. The Company anticipates that, following the CGC Transaction, its new capital structure and significant liquidity position will make it an attractive partner for operators seeking additional capital and/or a public listing. The Company intends to pursue opportunities as soon as practicable following closing of the CGC Transaction.

The Company is subject to MI 61-101. MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding certain interested or related parties and their joint actors, independent valuations, and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The CGC Transaction constitutes a "related party transaction" (as defined in MI 61-101) because the Company is transacting with CGC, its controlling Shareholder. Accordingly, the requirements of MI 61-101, including the requirement to obtain "minority approval" and an independent formal valuation, apply to the CGC Transaction. Canopy Rivers is not required under MI 61-101 to obtain a formal valuation of certain of the non-cash assets in the CGC Transaction, being the CGC Shares to be issued to CRC pursuant to the CGC Transaction, the Multiple Voting Shares or Subordinated Voting Shares to be cancelled pursuant to the CGC Transaction, and the securities of TerrAscend to be transferred to CGC pursuant to the CGC Transaction. However, the Special Committee determined that it would be appropriate to obtain a formal valuation of all of the Exchangeable Shares, the TerrAscend Loan, the TerrAscend Warrants I, the TerrAscend Warrants II, the Vert Mirabel Common Shares (subject to a right of first refusal in favour of Bertrand), and the Vert Mirabel preferred shares, including the securities of TerrAscend, and that such formal valuation would satisfy the requirement to obtain an independent report for the purposes of section 501(c) of the TSX Company Manual.

RESULTS OF OPERATIONS

The following table sets forth summary operating results and financial position data for the indicated periods:

	Three months ended Dec. 31,			Nine months ended Dec. 31,		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Summary Operating Results						
Operating income (loss)[1]	$ 3,003	$ 5,021	$ 1,284	$ (130)	$ 9,333	$ 2,309
Operating expenses	3,390	3,860	6,632	7,615	15,819	22,938
Net operating income (loss) (before equity method investees and fair value changes)	(387)	1,161	(5,348)	(7,745)	(6,486)	(20,629)
Equity method investees and fair value changes[2]	4,524	(2,665)	7,181	2,983	(2,667)	31,039
PharmHouse-related charges[3]	(13,700)	(543)	(87)	(121,481)	(1,238)	(953)
Net operating income (loss)	(9,563)	(2,047)	1,746	(126,243)	(10,391)	9,457
Net income (loss)	1,406	(2,679)	1,423	(112,402)	(10,051)	5,744
Other comprehensive income (loss) (net of tax)	80,759	(37,244)	(80,948)	114,877	(71,280)	(56,689)
Total comprehensive income (loss)	82,165	(39,923)	(79,525)	2,475	(81,331)	(50,945)
Basic earnings (loss) per share ("EPS")	$ 0.01	$ (0.01)	$ 0.01	$ (0.59)	$ (0.05)	$ 0.04
Diluted EPS	$ 0.01	$ (0.01)	$ 0.01	$ (0.59)	$ (0.05)	$ 0.04
Summary Cash Flow Results						
Cash used in operating activities	$ (953)	$ (3,523)	$ (1,628)	$ (2,815)	$ (6,980)	$ (3,333)
Cash from (used in) investing activities	944	(30,391)	(57,325)	(5,910)	(48,420)	(96,567)
Cash from (used in) financing activities	76	813	37	(4)	895	100,530
Balance Sheet Data						
Cash				$ 37,995	$ 49,678	$ 46,929
Total assets				339,299	337,235	298,839
Total liabilities				36,821	2,157	6,475
Shareholders' equity				302,478	335,078	292,364

(1) Before consideration of equity method investees and fair value changes.
(2) Excludes the Company's share of loss on its investment in PharmHouse common shares.
(3) Includes the Company's share of loss on its investment in PharmHouse common shares, provision for expected credit losses on loans receivable, and provision for expected credit losses on the PharmHouse Guarantee. Excludes the Company's provision for expected credit losses on interest receivable, which is captured in "Operating income (loss)". Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

The Company reported net income of $1,406 and basic and diluted EPS of $0.01 for the three months ended December 31, 2020, compared with a net loss of $2,679 and basic and diluted EPS of $(0.01) for the same period last year. For the three months ended December 31, 2020, net income was primarily driven by royalty and interest income on financial assets at FVTPL of $5,683, and positive net changes in the fair value of financial assets reported at fair value through profit or loss ("FVTPL") of $4,790, as well as an income tax recovery of $11,411, partially offset by the recognition of charges relating to PharmHouse, including a provision for expected credit losses on the PharmHouse Guarantee of $7,500 and a provision for expected credit losses on loans receivable of $6,200, as well as operating expenses of $3,390 and provisions for expected credit losses on interest and royalty receivables of $2,850. For the three months ended December 31, 2019, net loss was primarily driven by operating expenses of $3,860, share of loss from equity method investees of $1,307, and negative net changes in the fair value of financial assets at FVTPL of $1,901, partially offset by royalty and interest income on financial assets at FVTPL of $3,634 and interest income on the Company's shareholder loan receivable of $1,222.

The Company reported total comprehensive income of $82,165 for the three months ended December 31, 2020, compared with total comprehensive loss of $39,923 for the same period last year. For the three months ended December 31, 2020, comprehensive income was driven by positive net changes in the fair value of financial assets reported at fair value through other comprehensive income ("FVTOCI") of $80,759 (net of tax), in addition to the factors impacting net income described above, while comprehensive loss for the three months ended December 31, 2019, was driven by negative net changes in the fair value of financial assets at FVTOCI of $37,244 (net of tax), in addition to the factors impacting net loss described above.

The Company reported a net loss of $112,402 and basic and diluted EPS of $(0.59) for the nine months ended December 31, 2020, compared with a net loss of $10,051 and basic and diluted EPS of $(0.05) for the same period last year. For the nine months ended December 31, 2020, net loss was primarily driven by the Company's recognition of charges relating to PharmHouse, including the provision for expected credit losses on loans receivable of $51,956, the Company's share of loss on the Company's investment in PharmHouse common shares of $37,025, a provision for expected credit losses on the PharmHouse Guarantee of $32,500, and a provision for expected credit losses on interest and royalty receivables of $8,939. The net loss was also impacted by operating expenses of $7,615 and a provision for expected credit losses on interest and royalty receivables (excluding PharmHouse-related items) of $3,777, and was partially offset by royalty and interest income on financial assets at FVTPL of $9,633, positive net changes in the fair value of financial assets at FVTPL of $3,366, and interest income on the Company's loans receivable (before provisions for credit losses) of $2,447, as well as an income tax recovery of $15,875. For the nine months ended December 31, 2019, net loss was primarily driven by operating expenses of $15,819, share of loss from equity method investees of $2,957, and negative net changes in the fair value of financial assets at FVTPL of $948, partially offset by royalty and interest income on financial assets at FVTPL of $5,188 and interest income on the Company's shareholder loan receivable of $3,653.

The Company reported total comprehensive income of $2,475 for the nine months ended December 31, 2020, compared with total comprehensive loss of $81,331 for the same period last year. For the nine months ended December 31, 2020, comprehensive income was driven by positive net changes in the fair value of financial assets reported at FVTOCI of $114,877 (net of tax), offset by the factors impacting net loss described above, while comprehensive loss for the nine months ended December 31, 2019, was driven by negative net changes in the fair value of financial assets at FVTOCI of $71,280 (net of tax), in addition to the factors impacting net loss described above.

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

The Company reported operating income (before equity method investees and fair value changes) of $3,003 (net of a provision for expected credit losses of $2,850) for the three months ended December 31, 2020, compared with operating income (before equity method investees and fair value changes) of $5,021 (net of a provision for expected credit losses of $nil) for the same period last year.

For the three months ended December 31, 2020, this was primarily comprised of royalty and interest income (before provisions for expected credit losses) of $5,683 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, Radicle, TerrAscend Canada, and Tweed Tree Lot; and interest and management fee income of $170 generated from the lease agreement with Tweed Tree Lot, offset by a provision for expected credit losses on interest and royalty receivables of $2,850, which primarily relates to the royalty receivable on the Agripharm royalty interest. 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 and debenture 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.

The Company reported operating loss (before equity method investees and fair value changes) of $130 (net of a provision for expected credit losses of $12,716) for the nine months ended December 31, 2020, compared with operating income (before equity method investees and fair value changes) of $9,333 (net of a provision for expected credit losses of $nil) for the same period last year.

For the nine months ended December 31, 2020, this was primarily comprised of royalty and interest income (before provisions for expected credit losses) of $9,633 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, Radicle, TerrAscend Canada, and Tweed Tree Lot; interest income (before provisions for expected credit losses) of $2,447 generated from the loans receivable with PharmHouse; and interest and management fee income of $506 generated from the lease agreement with Tweed Tree Lot, offset by a provision for expected credit losses on interest and royalty receivables of $12,716, which primarily relates to the interest receivable on the PharmHouse shareholder loan and the royalty receivable on the Agripharm royalty interest. 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 and debenture 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.

Operating Expenses

The Company reported total operating expenses of $3,390 for the three months ended December 31, 2020, compared with $3,860 for the same period last year.

General and administrative expenses were $981 for the three months ended December 31, 2020, compared with $1,755 for the same period last year. For the three months ended December 31, 2020, these expenses were primarily attributable to employee compensation expenses of $482, marketing and business development expenses of $29, and other administrative activities (including public company costs) of the Company of $470. For the three months ended December 31, 2019, these expenses were primarily attributable to employee compensation of $870, marketing and business development expenses of $365, and other administrative activities of the Company of $520.

Consulting and professional fees were $441 for the three months ended December 31, 2020, compared with $929 for the same period last year. For the three months ended December 31, 2020, these expenses were primarily attributable to legal fees of $181 related primarily to general corporate and securities matters; and audit, tax, accounting, and other regulatory compliance advisory fees of $260. For the three months ended December 31, 2019, these expenses were primarily attributable to legal fees of $448; audit, tax, accounting, and other regulatory compliance advisory fees of $311; and ongoing consulting services of $170.

Share-based compensation was $80 for the three months ended December 31, 2020, compared with $1,133 for the same period last year. As discussed in the Interim Consolidated Financial Statements, as a portion of CRC PrivateCo's initial capital was treated as seed capital options for accounting purposes (which were remeasured each period), this created a significant non-cash expense in prior reporting periods. This expense also includes the cost of options issued to consultants of the Company, which, along with the seed capital options, are remeasured each period. During the three months ended December 31, 2020, 33,334 seed capital options and 11,667 consultant options were forfeited, resulting in a recapture of previously-recognized share-based compensation expense. Options issued to provide incentives to directors, officers, and employees of the Company are also included in share-based compensation, and the related expense is calculated based on measurements and estimates of fair value made upon initial recognition. For the three months ended December 31, 2020, share-based compensation attributable to PSUs (as defined herein) was $59; share-based compensation attributable to options issued to directors, officers, and employees was $50; share-based compensation attributable to RSUs (as defined herein) granted to non-employee directors was $45; share-based compensation attributable to options issued to consultants was $13; and share-based compensation attributable to seed capital options was a recapture of $87. For the three months ended December 31, 2019, share-based compensation attributable to options issued to directors, officers, and employees was $965; share-based compensation attributable to options issued to consultants was a recapture of $27; and share-based compensation attributable to seed capital options was $195.

Restructuring costs for the three months ended December 31, 2020 were $1,838, compared with $nil for the same period last year. These costs include certain professional and advisory fees of $1,803 relating to the CGC Transaction referenced in "Corporate Developments – CGC Transaction" herein, as well as legal and other consulting fees of $35 relating to the PharmHouse CCAA Proceedings and the September 2020 Claim referenced in "Corporate Developments – Investments – PharmHouse" herein.

The Company reported total operating expenses of $7,615 for the nine months ended December 31, 2020, compared with $15,819 for the same period last year.

General and administrative expenses were $3,610 for the nine months ended December 31, 2020, compared with $5,300 for the same period last year. For the nine months ended December 31, 2020, these expenses were primarily attributable to employee compensation expenses of $2,171, marketing and business development expenses of $214, and other administrative activities (including public company costs) of the Company of $1,225. For the nine months ended December 31, 2019, these expenses were primarily attributable to employee compensation of $2,327, marketing and business development expenses of $1,422, and other administrative activities of the Company of $1,551.

Consulting and professional fees were $1,168 for the nine months ended December 31, 2020, compared with $2,604 for the same period last year. For the nine months ended December 31, 2020, these expenses were primarily attributable to audit, tax, accounting, and other regulatory compliance advisory fees of $688; and legal fees of $480 related to investments and general corporate and securities matters. 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.

Share-based compensation was $434 for the nine months ended December 31, 2020, compared with $7,787 for the same period last year. As noted above, the remeasurement of the seed capital options and the consultant options each period resulted in a significant non-cash expense in certain periods, and there was a significant recapture relating to forfeited seed capital and consultant options during the nine months ended December 31, 2020. For the nine months ended December 31, 2020, share-based compensation attributable to options issued to directors, officers, and employees was $1,339; share-based compensation attributable to PSUs was $463; share-based compensation attributable to RSUs granted to non-employee directors was $157; share-based compensation attributable to seed capital options was a recapture of $1,336; and share-based compensation attributable to options issued to consultants was a recapture of $189. For the nine months ended December 31, 2019, share-based compensation attributable to options issued to consultants was $3,088; share-based compensation attributable to options issued to directors, officers, and employees was $3,150; and share-based compensation attributable to seed capital options was $1,549.

Restructuring costs for the nine months ended December 31, 2020 were $2,266, compared with $nil for the same period last year. These costs include certain professional and advisory fees of $1,803 relating to the CGC Transaction referenced in “Corporate Developments – CGC Transaction” herein, as well as legal and other consulting fees of $463 relating to the PharmHouse CCAA Proceedings and the September 2020 Claim referenced in “Corporate Developments – Investments – PharmHouse” herein.

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

Based on the foregoing, the Company reported a net operating loss (before equity method investees and fair value changes) of $387 for the three months ended December 31, 2020, compared with net operating income (before equity method investees and fair value changes) of $1,161 for the same period last year.

Net operating loss (before equity method investees and fair value changes) was $7,745 for the nine months ended December 31, 2020, compared with $6,486 for the same period last year.

Equity Method Investees and Fair Value Changes (including PharmHouse Charges)

Share of loss from equity method investees was $728 for the three months ended December 31, 2020, compared with a share of loss of $1,307 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, High Beauty, LeafLink International, and Radicle represented the Company’s equity method investees for which a share of income or loss was recognized for the three months ended December 31, 2020. These entities, along with Herbert and PharmHouse, represented the Company’s equity method investees for which a share of loss was recognized for the three months ended December 31, 2019. Due to the early-stage nature of the equity method investees’ businesses, the Company expects these entities to continue to generate net losses in the near term. Please refer to Note 8 in the Interim Consolidated Financial Statements for additional information on the operating results and financial position of the Company’s equity method investees.

The net change in fair value of financial assets at FVTPL was an increase of $4,790 for the three months ended December 31, 2020, compared with a decrease of $1,901 for the same period last year. For the three months ended December 31, 2020, the net increase was primarily driven by the positive change in the fair value of the Company’s investments in the TerrAscend Term Loan and Warrants II of $11,420 and Vert Mirabel preferred shares of $950, partially offset by the negative change in the fair value of the Company’s investments in the Tweed Tree Lot royalty interest of $4,400, Agripharm royalty interest of $1,300, Canapar call option of $1,100, and Civilized convertible debenture of $500, among other factors. 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 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 investment in Vert Mirabel preferred shares of $932, among other factors. Please refer to Notes 9 and 14 in the Interim Consolidated Financial

Statements for additional information on the Company's financial assets at FVTPL and their corresponding valuation methodologies and key inputs and assumptions.

Provision for expected credit losses on loans receivable was $6,200 for the three months ended December 31, 2020, compared with no provision for the same period last year. This charge was estimated based upon the PharmHouse Recoverability Assessment and represents the full amount advanced to PharmHouse pursuant to the DIP Financing during the three months ended December 31, 2020. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

Provision for expected credit losses on the PharmHouse Guarantee was $7,500 for the three months ended December 31, 2020, compared with no provision for the same period last year. The carrying value of the PharmHouse Guarantee as at December 31, 2020, was estimated based upon the PharmHouse Recoverability Assessment and represents the difference between the estimated recoverable amount of PharmHouse's assets en bloc under an orderly liquidation approach in which the greenhouse facility is no longer used for cannabis operations, and the principal amount owing pursuant to the PharmHouse Credit Facility of $90,000 that is subject to the PharmHouse Guarantee. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

Share of loss from equity method investees was $37,870 for the nine months ended December 31, 2020, compared with a share of loss of $2,957 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 recognized for the nine months ended December 31, 2020. The Company's share of loss from PharmHouse of $37,025 for the nine months ended December 31, 2020, compared to $1,238 for the same period last year, includes an adjustment to the underlying results of PharmHouse for three months ended June 30, 2020, to reflect the impairment on fixed assets implied by the PharmHouse Recoverability Assessment. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information. The same entities represented the Company's equity method investees for which a share of loss was recognized for the nine months ended December 31, 2019. As noted above, please refer to Note 8 in the Interim Consolidated Financial Statements for additional information on the operating results and financial position of the Company's equity method investees.

The net change in fair value of financial assets at FVTPL was an increase of $3,366 for the nine months ended December 31, 2020, compared with a decrease of $948 for the same period last year. For the nine months ended December 31, 2020, the net increase was primarily driven by the positive change in the fair value of the Company's investments in the TerrAscend Term Loan and Warrants II of $15,090, Vert Mirabel preferred shares of $2,600, and Dynaleo convertible debenture and warrants of $895, partially offset by the negative change in the fair value of the Company's investments in the Agripharm royalty interest of $7,200, Greenhouse Juice secured and unsecured convertible debentures and warrants of $4,480, Civilized convertible debenture of $2,100, and Canapar call option of $1,100, among other factors. 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 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 Vert Mirabel preferred shares of $2,620 and Greenhouse Juice secured convertible debenture of $1,907, among other factors. As noted above, please refer to Notes 9 and 14 in the Interim Consolidated Financial Statements for additional information on the Company's financial assets at FVTPL and their corresponding valuation methodologies and key inputs and assumptions.

Provision for expected credit losses on loans receivable was $51,956 for the nine months ended December 31, 2020, compared with no provision for the same period last year. These charges were estimated based upon the PharmHouse Recoverability Assessment and represent the full balances associated with the Company's various debt investments in PharmHouse. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

Provision for expected credit losses on the PharmHouse Guarantee was $32,500 for the nine months ended December 31, 2020, compared with no provision for the same period last year. As noted above, the carrying value of the PharmHouse Guarantee as at December 31, 2020, was estimated based upon the PharmHouse Recoverability Assessment and represents the difference between the estimated recoverable amount of PharmHouse's assets en bloc under an orderly liquidation approach in which the greenhouse facility is no longer used for cannabis operations, and the principal amount owing pursuant to the PharmHouse Credit Facility of $90,000 that is subject to the PharmHouse Guarantee. Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

Net Operating Loss

Based on the foregoing, the Company reported a net operating loss of $9,563 for the three months ended December 31, 2020, compared with $2,047 for the same period last year.

Net operating loss was $126,243 for the nine months ended December 31, 2020, compared with $10,391 for the same period last year.

Comprehensive Income (Loss)

The Company reported total comprehensive income of $82,165 for the three months ended December 31, 2020, compared with a total comprehensive loss of $39,923 for the same period last year.

Net income was $1,406 for the three months ended December 31, 2020, compared with a net loss of $2,679 for the same period last year. Included in net income is income tax expense (recovery) of $(11,411) and $906 for the three months ended December 31, 2020 and 2019, respectively. Other expenses also include Brokerage Fees (as defined herein) expense of $487 and $nil for the three months ended December 31, 2020 and 2019, respectively.

The net change in fair value of financial assets at FVTOCI was an increase of $80,759 (net of tax of $13,786) for the three months ended December 31, 2020, compared with a decrease of $37,244 (net of tax recovery of $4,154) for the same period last year. For the three months ended December 31, 2020, the net increase was primarily driven by the positive change in the fair value of the Company's investment in the TerrAscend Exchangeable Shares of $105,000, partially offset by the negative change in the fair value of the Company's investment in Vert Mirabel common shares of $9,500, as well as foreign exchange losses on the Company's investment in Zeakal preferred shares of $600, among other factors. 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 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. Please refer to Notes 10 and 14 in the Interim Consolidated Financial Statements for additional information on the Company's financial assets at FVTOCI and their corresponding valuation methodologies and key inputs and assumptions.

The Company reported total comprehensive income of $2,475 for the nine months ended December 31, 2020, compared with a total comprehensive loss of $81,331 for the same period last year.

Net loss was $112,402 for the nine months ended December 31, 2020, compared with a net loss of $10,051 for the same period last year. Income tax expenses (recovery) of $(15,875) and $1,205 were recognized for the nine months ended December 31, 2020 and 2019, respectively. Included in other expenses are Brokerage Fees expense of $2,193 and $nil for the nine months ended December 31, 2020 and 2019, respectively.

The net change in fair value of financial assets at FVTOCI was an increase of $114,877 (net of tax of $17,748) for the nine months ended December 31, 2020, compared with a decrease of $71,280 (net of tax recovery of $9,350) for the same period last year. For the nine months ended December 31, 2020, the net increase was primarily driven by the positive change in the fair value of the Company's investments in the TerrAscend Exchangeable Shares of $138,500 and Dynaleo common shares of $835, partially offset by the negative change in the fair value of the Company's investments in Vert Mirabel common shares of $3,400 and JWC common shares of $976, as well as foreign exchange losses on the Company's investments in Zeakal preferred shares of $1,500 and Headset preferred shares of $500, among other factors. 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 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. As noted above, please refer to Notes 10 and 14 in the Interim Consolidated Financial Statements for additional information on the Company's financial assets at FVTOCI and their corresponding valuation methodologies and key inputs and assumptions.

Cash Flows Used in Operating Activities

Net cash used in operating activities was $2,815 for the nine months ended December 31, 2020, compared with net cash used of $6,980 for the same period last year. Net loss for the nine months ended December 31, 2020, was $112,402 and included numerous non-cash items, including, among other items, the Company's provision for expected credit losses on loans receivable of $51,956, share of loss from of equity method investees of $37,870, provision for expected credit losses on the PharmHouse Guarantee of $32,500, income tax recovery of $15,875, provision for expected credit losses on interest and royalty receivables of $12,716, and net increase in fair value of financial assets at FVTPL of $3,366. For the nine months ended December 31, 2019, the Company reported net loss of $10,051, which included numerous non-cash items, including, among other items, share-based compensation of $7,787, the Company's share of loss from equity method investees of $2,957, income tax expense of $1,205, and the net decrease in fair value of financial assets at FVTPL of $948. Net cash used in operating activities for the nine months ended December 31, 2019, also reflects a working capital investment of $8,819.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $5,910 for the nine months ended December 31, 2020, compared with $48,420 for the same period last year. During the nine months ended December 31, 2020, the Company made a new investment in Dynaleo ($2,000), and follow-on investments in PharmHouse ($9,506), Headset ($1,080), and BioLumic ($668). Included in cash flows used in investing activities is an inflow of $7,000 related to the disposition of the Canapar common shares. 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 secured demand 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.

Cash Flows Used in Financing Activities

Net cash used in financing activities was $4 for the nine months ended December 31, 2020, compared with net cash provided by financing activities of $895 for the same period last year. During the nine months ended December 31, 2020, net cash used in financing activities was primarily attributable to the repurchase of shares pursuant to the Company's NCIB for $307, and the payment of lease principal of $131, offset by the proceeds from the exercise of outstanding stock options of $434. 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 of $1,012, partially offset by the payment of lease principal of $117.

Summary of Quarterly Financial Information

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

	FQ3 2021	FQ2 2021	FQ1 2021	FQ4 2020	FQ3 2020	FQ2 2020	FQ1 2020	FQ4 2019
Summary Operating Results(1)								
Operating income (loss)(2)	$ 3,003	$ (5,795)	$ 2,662	$ 2,589	$ 5,021	$ 2,171	$ 2,141	$ 2,558
Operating expenses	3,390	1,555	2,669	3,484	3,860	6,192	5,767	7,512
Equity method investees and fair value changes(3)	4,524	(3,604)	(2,355)	(30,671)	(3,208)	(1,241)	544	3,524
PharmHouse-related charges(4)	(13,700)	(103,363)	-	-	-	-	-	-
Net operating income (loss)	(9,563)	(114,317)	(2,362)	(31,566)	(2,047)	(5,262)	(3,082)	(1,430)
Net income (loss)	1,406	(110,381)	(3,426)	(30,515)	(2,679)	(4,406)	(2,966)	(1,826)
Other comprehensive income (loss) (net of tax)	80,759	23,417	10,701	(6,280)	(37,244)	(28,252)	(5,784)	22,418
Total comprehensive income (loss)	82,165	(86,964)	7,275	(36,795)	(39,923)	(32,658)	(8,750)	20,592
Basic EPS	$ 0.01	$ (0.58)	$ (0.02)	$ (0.16)	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.01)
Diluted EPS	$ 0.01	$ (0.58)	$ (0.02)	$ (0.16)	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.01)

(1) Comparative information has been amended to align with current year presentation.
(2) Before consideration of equity method investees and fair value changes.
(3) Excludes the Company's share of loss on its investment in PharmHouse common shares.
(4) Includes the Company's share of loss on its investment in PharmHouse common shares, provision for expected credit losses on loans receivable, and provision for expected credit losses on the PharmHouse Guarantee. Excludes the Company's provision for expected credit losses on interest receivable, which is captured in "Operating income (loss)". Please refer to "Corporate Developments – Investments – PharmHouse" herein for additional information.

Outlook

The Company previously provided CY2020 attributable EBITDA[2] guidance relating to PharmHouse and Vert Mirabel in the range of $85,000 to $100,000. On a regular basis, the Company reviewed 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 three months ended December 31, 2019, as a result of 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.

As a result of the factors listed above, among others, and due to the uncertainty inherent in forecasting operating results given the prevailing status of the Canadian cannabis industry, the Company decided during the three months ended December 31, 2019, 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 any earnings it may generate in the Company to manage the existing portfolio, pursue investment or acquisition opportunities, and maintain and develop the business. Any decision to declare dividends, in the future, will be made at the discretion of the Board and will depend upon, among other things, financial results, investment or acquisition opportunities, cash requirements, contractual obligations, and other factors the Board may consider relevant.

The Company is subject to risks and uncertainties that could significantly affect its future performance, including, but not limited to, changes to the regulatory environment for the cannabis industry, changes to the business environment for the cannabis industry, and risks and uncertainties posed by the performance and management of the Investees. See "Risks and Uncertainties" herein, "Risk Factors" in the CGC Transaction Circular, 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, 2020, the Company financed its operations and met its capital requirements primarily through proceeds raised from prior equity financings. As at December 31, 2020, working capital (calculated as the difference between the Company's current assets and current liabilities on its statement of financial position) was approximately $40,657, primarily attributable to the Company's cash balance of $37,995.

The Company anticipates that it has sufficient liquidity and capital resources to finance working capital for at least the next twelve months. Furthermore, while the Company has not historically generated positive operating net cash flows,

[2] 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.

and its ability to generate positive operating net cash flows from dividends and interest has been negatively impacted by recent developments outlined in “Corporate Developments – Investments – PharmHouse” herein, the Company anticipates that, in the near term, its statement of financial position and liquidity position will be strengthened by the CGC Transaction and that, if required, it will be able to further strengthen its statement of financial position and liquidity position with future equity financings, the divestment of certain investments, or other liquidity events. Aside from the CGC Transaction, the amount of cash available to the Company to achieve its business plans and objectives will depend upon a number of factors, including the realizable value of the Company’s investments net of any obligations and liabilities, including potential exposure under the PharmHouse Guarantee.

The Company may face certain liquidity risks if it is unable to generate sufficient cash, either through the CGC Transaction or by way of normal operations, to fund its ongoing requirements and obligations, including any that may arise pursuant to the PharmHouse Guarantee in respect of the Company’s obligations under the PharmHouse Credit Agreement, and is unable to raise funds through debt or equity to account for its commitments. While the Company has estimated the fair value of the PharmHouse Guarantee to be approximately $32,500, there is a risk that future developments will result in a liability that is greater than the amount currently recognized. A further deterioration in PharmHouse’s credit worthiness, an inability to generate sufficient future cash flows, or a significant decrease in the value of the security granted pursuant to the PharmHouse Credit Facility below that estimated in the PharmHouse Recoverability Assessment will expose the Company to the risk of additional losses due to the PharmHouse Guarantee. There is a risk that the actual net proceeds that PharmHouse would realize upon an orderly liquidation of its assets is materially less than that estimated in the PharmHouse Recoverability Assessment, which would materially increase the Company’s financial liability in respect of the PharmHouse Guarantee. Ongoing capital markets, global economic, and general cannabis industry conditions, including as a result of the COVID-19 pandemic, may impact the ability of the Company to obtain equity, debt, or other suitable financing on favourable terms or at all. It may also impact the ability of the Investees to meet their commitments to the Company, including royalty payments, interest payments, lease payments, and other debt obligations, which may negatively impact the Company’s cash flow, and the value and liquidity of the Company’s investments. Furthermore, given the constraints on transaction activity, impact on valuations, and general business challenges caused by the COVID-19 pandemic, the Company may not be able to realize successful monetization events involving its economic interests in the Investees. There can be no assurance that the Company will be able to generate sufficient positive cash flow to achieve its business plans and objectives.

The Company’s principal capital needs are for funds to finance commitments to, and to potentially make follow-on investments in, existing Investees; to deploy capital to new domestic and international opportunities, including, pending the successful completion of the CGC Transaction, investments in, or acquisitions of, established operating businesses in the U.S. cannabis market; and to satisfy working capital, as well as for general corporate purposes. As at December 31, 2020, the Company’s contractual commitments were as follows:

Investee	Committed Funds	Timing
Greenhouse Juice	$3,000 (1)	Expected in fiscal year (“FY”) 2022
PharmHouse	$1,283 (2)	Expected in FY 2021

(1) The Company had 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 attained $12,000 of revenue in any preceding twelve-month period. Please refer to “Subsequent Events” for additional information.

(2) The Company has committed to advance up to $9,700 (inclusive of accrued interest) pursuant to the DIP Financing described herein. As at December 31, 2020, $8,417 (inclusive of accrued interest) had been advanced. Please refer to “Subsequent Events” for additional information regarding additional advances made after the reporting period.

In addition to the aforementioned contractual obligations, the Company anticipates that certain Investees will require additional capital in order to achieve their business objectives and/or to sustain their operations. Accordingly, the Company may invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees, 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. Furthermore, as discussed herein, the Company has guaranteed the obligations of PharmHouse under the $90,000 PharmHouse Credit Facility. Quarterly principal repayments pursuant to the PharmHouse Credit Facility based on a ten-year amortization schedule were intended to commence September 30, 2020; however, as of the date of this MD&A, no repayments of principal have occurred as a result of the CCAA Proceedings. Given that PharmHouse does not currently have sufficient liquidity and capital resources to meet its obligations pursuant to the PharmHouse Credit Facility, any requirement to make a principal repayment in the near-term is expected to be financed by the Company.

On October 23, 2019, the Company entered into a strategic alliance agreement with Kindred Partners Inc. (“Kindred”), a specialty cannabis brokerage and services company. The strategic alliance agreement, which was subsequently amended (as described below), was intended to provide current and future Investees with better access to Kindred’s expertise and distribution channels to enhance their revenue-generating capabilities. Under the terms of the strategic alliance agreement, as amended, the Company committed to arrange, on a best-efforts basis, for its licensed producer portfolio companies to enter into brokerage agreements with Kindred, and to compensate Kindred for 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 paid by Investees to Kindred. In connection with the arrangement, the Company provided Kindred with a $1,000 refundable deposit (the "Brokerage Payments Deposit"), which was to be used to cover any shortfall amounts. On May 5, 2020, the Company and Kindred amended the terms of the strategic alliance agreement to shorten the agreement from a two-year period to a one-year period. For the three and nine months ended December 31, 2020, the Company recognized expenses of $487 and $2,193, respectively, relating to historical shortfalls of Brokerage Fees. As at December 31, 2020, the entire Brokerage Payments Deposit was utilized, and a payable to Kindred of $487 was recognized. As at December 31, 2020, the strategic alliance with Kindred had ended and the Company had no further contingent liability (March 31, 2020 - $2,784).

As at December 31, 2020, the Company had the following contractual obligations (excluding obligations that may arise pursuant to the PharmHouse Guarantee):

	Payments Due by Period				
Contractual Obligations	**Total**	**< 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**>5 Years**
Accounts payable and accrued liabilities	$ 3,012	$ 3,012	$ -	$ -	$ -
Lease liability	980	346	634	-	-
Other contractual commitments(1)	4,400	4,400	-	-	-
Total contractual obligations	**$ 8,392**	**$ 7,758**	**$ 634**	**$ -**	**$ -**

(1) The Company had committed to purchase up to $3,000 of preferred shares of Greenhouse Juice and advance an additional $1,283 to PharmHouse pursuant to the DIP Financing, as discussed above. Please refer to "Subsequent Events" for additional information.

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, "Risk Factors" in the AIF, and "Risk Factors" in the CGC Transaction Circular 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. general market risk, foreign currency risk, and interest rate 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:

General market risk

The Company holds other financial assets and liabilities in the form of investments in shares, warrants, and other convertible securities that are measured at fair value and recorded through either net income (or loss) or other comprehensive income (or loss). The Company is exposed to price risk on these financial assets, which is the risk of variability in fair value due to movements in equity or market prices. Information regarding the fair value of financial instruments that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and liabilities and their fair value, are presented in Note 14 of the Interim Consolidated Financial Statements.

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 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 funding arrangements whereby the Company commits to invest funds in the form of convertible or repayable debentures with variable interest rates, if any. The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. While the Company currently has no long-term borrowings and is not party to any arrangement involving variable interest rates, the Company is subject to interest rate risk in connection with the PharmHouse Guarantee and the Company's role as guarantor on the PharmHouse Credit Facility.

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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk relates primarily to the principal amounts owing to the Company pursuant to the debt investments made by the Company in PharmHouse, including the shareholder loan, secured demand promissory note, unsecured demand promissory note, and DIP Financing, as well as the corresponding interest receivable. Credit risk also arises from the Company's other interest and royalty receivables as well as the principal amounts owing to the Company under the terms of any other loan, debenture, or promissory note.

Under *IFRS 9, Financial Instruments* ("IFRS 9"), the Company is required to apply an expected credit loss ("ECL") model to all financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the statement of financial position date. The Company recognizes a loss allowance for ECLs on its interest receivables, royalty receivables, other receivables, finance lease receivable, and loans receivable. Where the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the 12-month ECLs. The ECLs on these financial assets are measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to collateral and reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The measurement of ECLs is primarily based on the product of the financial instrument's probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). A 12-month PD and lifetime PD are the probabilities of a default occurring over the next 12 months or over the life of a financial instrument, respectively, based on conditions existing at the statement of financial position date and on future economic conditions that have, or will have, an impact on credit risk. LGD reflects the losses expected should default occur and considers such factors as the mitigating effects of collateral and security, the realizable value thereof, and the time value of money. EAD is the expected balance owing at default and considers such factors as repayments of principal and interest beyond the statement of financial position date or additional amounts to be drawn. The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. Lifetime ECLs represent the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portions of lifetime ECLs that are expected to result from default events that are possible within 12 months after the reporting date. For the Company's finance lease receivable, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime ECLs taking into consideration historical credit loss experience and financial factors specific to the debtor and general economic conditions.

As described in "Corporate Developments – Investments – PharmHouse" herein, in connection with the PharmHouse Recoverability Assessment, the Company recognized a full provision for expected credit losses on the outstanding principal and accrued interest balances relating to the PharmHouse shareholder loan, secured demand promissory note, unsecured demand promissory note, and DIP Financing for the three and nine months ended December 31, 2020. Furthermore, as described in "Corporate Developments – Investments – Agripharm", the Company recognized a significant provision for expected credit losses on the outstanding royalty receivable balance for the three and nine months ended December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2020, 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 2.4% 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, 2020. Compensation provided to key management personnel includes share-based compensation, salaries and bonuses (if any), and director fees. For the three months ended December 31, 2020 and 2019, share-based compensation was $170 and $671, respectively; salaries were $272 and $373, respectively; and director fees were $111 and $125, respectively. For the nine months ended December 31, 2020 and 2019, share-based compensation was $1,172 and $2,624, respectively; salaries were $892 and $1,247, respectively; and director fees were $243 and $175, respectively.

Transactions with CGC: As at December 31, 2020, the Company had a nominal 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 $140 liability as at March 31, 2020. In the event the loans are repaid by the employees/consultants, the related Subordinated Voting 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. The CGC Transaction constitutes a "related party transaction" (as defined in MI 61-101) because the Company is transacting with CGC, its controlling shareholder. For additional details regarding the CGC Transaction and the requirements under MI 61-101, please refer to "Corporate Developments – CGC Transaction" herein.

Transactions with other related parties: Transactions and balances with the Company's associates and joint venture, and associated entities of CGC are described and discussed in the Interim Consolidated Financial Statements. The PharmHouse secured demand promissory note described in Note 5 in the Interim Consolidated Financial Statements was entered into at a below-market rate of interest with the Company and the PharmHouse Majority Shareholder (being the sole shareholders of PharmHouse). Since the secured promissory note has a demand feature, the fair value 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. Please refer to Note 10(c) in the Interim Consolidated Financial Statements for more information on the Company's investment in Vert Mirabel.

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, the risk-free interest rate, and the expected annualized volatility of the Company's share price are used. Please refer to Note 11 in the Interim Consolidated Financial Statements for more information on the Company's measurement of share-based payments.

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 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 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 annualized volatility based on observed historical volatility for comparable public companies.

The PharmHouse Recoverability Assessment described in "Corporate Developments – Investments – PharmHouse" herein and in Note 5 in the Interim Consolidated Financial Statements is based upon a significant number of unobservable inputs. The Company's financial guarantee liability in respect of the PharmHouse Guarantee was estimated to be $32,500 as at December 31, 2020, on the basis of a number of assumptions and estimates regarding the recoverable amount of PharmHouse's assets under an orderly liquidation scenario where the greenhouse facility is no longer used for cannabis operations. A further deterioration in PharmHouse's credit worthiness, an inability to generate sufficient future cash flows, or a significant decrease in the value of the security granted pursuant to the PharmHouse Credit Facility below that estimated in the PharmHouse Recoverability Assessment will expose the Company to the risk of additional losses due to the PharmHouse Guarantee. There is a risk that the actual net proceeds that PharmHouse would realize upon an orderly liquidation of its assets is materially less than that estimated in the PharmHouse Recoverability Assessment, which would materially increase the Company's financial guarantee liability in respect of the PharmHouse Guarantee.

Please refer to Note 14 in the Interim Consolidated Financial Statements for more information on the fair value measurement and valuation process.

Impairment

Investments in associates and joint ventures are tested for impairment when there are indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

The impairment assessment in respect of an investment in an associate or joint venture (equity-accounted investees) comprises two successive steps:

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

In determining the recoverable amount of an investment in an associate or joint venture, various estimates are employed. The Company determines recoverable amounts using such estimates as valuation multiples for comparable operating companies for which public information is available, adjusted book values of the Investee's assets and liabilities based on estimates of recoverability, and projected future cash flows, including pricing and production estimates, and capital investment. When projected future cash flows are considered, the Company estimates discount rates based upon external industry information reflecting market-based rates of return and the risk associated with achieving the cash flow projections.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparing the Interim Consolidated Financial Statements are unchanged from those disclosed in the Audited Consolidated Financial Statements and have been applied consistently to all periods presented in the Interim Consolidated Financial Statements.

Certain new standards, amendments, and interpretations have been issued, but are not yet effective for the Company's consolidated financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations that are issued but not yet effective. These standards, amendments, and interpretations are not expected to have a material impact on the Company's Interim Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 *Certificate of Disclosure in Issuers' Annual and Interim Filings,* management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with other members of management, evaluated the design of the Company's DC&P as at December 31, 2020. Based on that evaluation, the CEO and the CFO concluded that the design of these DC&P were effective as at December 31, 2020, to provide reasonable assurance that the information required to be disclosed in the Company's interim filings, or other reports filed or submitted by it under securities legislation, is recorded, processed, summarized, and reported in accordance with securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's ICFR is designed to provide reasonable assurance that all relevant information is communicated to management to allow timely decisions regarding required disclosure. The CEO and CFO, together with other members of management, evaluated the design of the Company's ICFR as at December 31, 2020. Based on that evaluation, the CEO and CFO concluded that the design of ICFR was effective as at December 31, 2020, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Interim Consolidated Financial Statements for external purposes in accordance with IFRS. In designing and implementing such controls, it should be recognized that any system of ICFR, no matter how well designed and operated, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and may not prevent or detect all misstatements due to error or fraud.

Control Framework

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

Changes in Internal Control

There have been no changes in the Company's ICFR reporting during the three and nine months ended December 31, 2020, that 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, 2020, and February 9**,** 2021, the Company had the following securities issued and outstanding:

	As at December 31, 2020	**As at February 9, 2021**
Multiple Voting Shares	36,468,318	36,468,318
Subordinated Voting Shares	155,034,391	155,176,057
Stock Options	11,420,002	11,238,336
Warrants	14,400,000	14,400,000
RSUs	385,192	385,192
PSUs	925,000	1,210,000

Stock options outstanding as at December 31, 2020, relate to Subordinated Voting Shares and are comprised of the following (as described in Note 11(c) in the Interim Consolidated Financial Statements):

- 33,334 seed capital options issued to an employee of CGC, which have been paid for by CGC on behalf of the employee;

- 6,522,001 options issued to consultants of the Company and employees of CGC, with exercise prices ranging between $0.60 and $3.50; and
- 4,864,667 options issued to employees and directors of the Company, with exercise prices ranging between $1.10 and $4.50.

Warrants outstanding as at December 31, 2020, relate to Subordinated Voting Shares and are comprised of 14,400,000 warrants issued to a counterparty to one of the Company's investments, with an exercise price of $2.00, as described in Note 11(d) in the Interim Consolidated Financial Statements.

RSUs outstanding as at December 31, 2020, relate to Subordinated Voting Shares redeemable pursuant to the Company's share unit plan for non-employee directors as described in Note 11(e) in the Interim Consolidated Financial Statements, which were granted to certain non-employee directors of the Company on March 31, 2020, and September 23, 2020.

PSUs outstanding as at December 31, 2020, relate to Subordinated Voting Shares redeemable pursuant to the Company's long term inceptive plan ("LTIP") for employees of the Company as described in Note 11(f) in the Interim Consolidated Financial Statements, which were granted to employees on August 5, 2020. The number of granted PSUs eligible to vest may be adjusted upwards based on the increase, if any, in the Subordinated Voting Share price between the grant date and the vesting date, subject to a maximum adjustment of 100%.

SUBSEQUENT EVENTS

Developments since December 31, 2020

Between January 7, 2021, and January 28, 2021, the Company advanced an additional $1,000 pursuant to the DIP Financing.

On January 13, 2021, the Company and Greenhouse Juice amended the terms of the agreement requiring the Company to exercise warrants in Greenhouse Juice with a face value of $3,000 upon the achievement of certain revenue targets. As a result of the agreed-upon amendments, the face value of the warrants was reduced to $2,000, the exercise price was reduced, and half of the warrants are required to be exercised by a certain date irrespective of the achievement of certain revenue targets.

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 CGC Transaction Circular and "Risk Factors" in the Company's AIF, which have been filed under the Company's profile on SEDAR at www.sedar.com. For a more extensive discussion on risks and uncertainties, please refer to the CGC Transaction Circular and the AIF.

Credit and Liquidity Risk

The Company is 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, cause the lenders of the Investees to enforce the Company's guarantee of such Investees' debt obligations, if any, 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; (v) through the Company's lenders, if any; and (vi) through the Company's guarantee of debt obligations of certain Investees. For example, if PharmHouse is unable to generate sufficient cash flow, it will be unable to repay its obligations owing to the Company pursuant to the shareholder loan, secured demand promissory note, unsecured demand promissory note, and DIP Financing. Further, if PharmHouse is unable to meet its obligations pursuant to the PharmHouse Credit Agreement and the Lenders enforce on the PharmHouse Guarantee, the Company's financial liability in respect of the PharmHouse Guarantee will be realized and the amount of such liability may be significantly more than currently anticipated, which could have a materially adverse affect on the Company's financial position. The Company may also be exposed to liquidity risks in meeting its operating expenditure requirements and complying with affirmative covenants it has provided in certain agreements 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.

In the event that an Investee were to experience financial, operational, or other difficulties, then that Investee may (i) be unable to deliver some or all of the payments due to the Company; (ii) otherwise default on its obligations to the Company; (iii) cease operations at one or more facilities; or (iv) become insolvent. These and any other adverse financial or operational impacts on an Investee may also have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, there is no assurance that the Company will be successful in enforcing its rights under any security or guarantees provided to the Company.

Litigation

The Company and the Investees may from time to time be involved in various claims, legal proceedings, and disputes arising in the ordinary course of business, including class action litigation. If the Company or an Investee is unable to resolve these disputes favourably, it may have a material adverse effect on the Company and/or the Investee. Even if the Company and/or the Investee successfully defends against a purported class action and/or is involved in litigation and wins, litigation can redirect significant resources and/or divert management's attention, and the legal fees and costs incurred in connection with such activities may be significant. For instance, while the Company believes that the New Claim as it relates to its own actions is completely without merit, and intends to vigorously defend its position, it may not be successful in defending the New Claim. Additionally, the Company and/or the Investee may be subject to judgements or enter into settlements of claims for significant monetary damages. Such litigation may also create a negative perception of the Company and/or the Investee. Any decision resulting from any such litigation that is adverse to the Company or an Investee could have a negative impact on the Company's business, financial results, and operations.

Risks Associated with Material Contracts

The business of the Company may be significantly impacted if its material contracts, including those listed under "Material Contracts" in the AIF, are subject to change or termination. In addition, certain Investees may be significantly impacted if certain material contracts are not obtained or if existing material contracts, including offtake agreements or other agreements with suppliers, customers, retailers, and/or lenders, are subject to change or termination. In addition, in the event that a counterparty breaches the terms of a material contract, the Company and/or the Investees may be unable to enforce such agreement, and if the Company and/or the Investees do take steps to enforce the agreement, it may be time-consuming and costly. The failure to obtain, maintain, or enforce certain material contracts could have a material adverse effect on the business, operating results, and financial condition of the Company and the Investees, and such risks may be increased as a result of ongoing capital markets, global economic conditions, and general cannabis industry conditions, including as a result of the COVID-19 pandemic.

In the event that any of the existing offtake agreements between PharmHouse and its counterparties are restructured in a material respect, such restructured agreements could have a material adverse impact on PharmHouse's ability to generate sufficient cash flows to service its obligations pursuant to the PharmHouse Credit Facility, as well as the shareholder loan, secured demand promissory note, unsecured demand promissory note, and DIP Financing. In connection with the PharmHouse Recoverability Assessment described above, the Company has recognized a full provision for credit losses for all principal and accrued interest balances on the loans receivable relating to PharmHouse, and recognized a financial liability relating to a portion of its guarantee on the PharmHouse Credit Facility. The Company's financial liability in respect of the PharmHouse Guarantee may be significantly more than currently anticipated, which could have a materially adverse affect on the Company's financial position.

Certain contracts of Investees may involve cannabis or cannabis-related businesses and other activities that are not legal under U.S. federal law. In some jurisdictions, such Investees may face difficulties in enforcing their contracts in U.S. federal and certain state courts.

Additional Financing Risk

The continued growth and development of the Company, including through follow-on investments in the Investees to support their business objectives, may require additional financing. The failure by the Company to raise such capital could result in the delay or indefinite postponement of the Company or the Investees' current business plans, the decrease in value of an Investee to the Company, or the Company or the Investee 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. Debt financing often includes restrictive covenants on the operations of the borrower. Any debt financing obtained in the future could involve restrictive covenants more onerous than those contained in the PharmHouse Credit Agreement, as amended, 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 net cash flows. Negative net cash flow may restrict the Company's ability to pursue its business objectives.

Access to Capital for the Investees

The continued development and operation of the Investees may require additional financing. The failure by an Investee to raise additional capital could result in the delay or indefinite postponement of its current business plan, the decrease in value of such Investee to the Company, or the Investee going out of business. There can be no assurance that additional capital or other types of financing will be available to the Investees if needed or that, if available, the terms of such financing will be favourable to the Investee. If additional funds are raised by the Investees through issuances of equity or convertible debt securities, the Company could suffer significant dilution.

Cannabis Prices

The price of the Subordinated Voting Shares and the Company's financial results may be significantly and adversely affected by a decline in the price of cannabis. There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a material adverse effect on the business, financial condition, and results of operations of the Investees and the Company.

Certain Investees are party to agreements that reference the price of cannabis and the profitability of the Company's interests under agreements with certain Investees is directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as its operating income will be derived in part from royalty payments. In addition, the value of the Company's investments in the Investees may be affected as a result of changes in the prevailing market price of cannabis, which may have a material adverse effect on the ability of the Investees to generate positive cash flow or earnings.

Other Investees are party to agreements involving the sale of cannabis to counterparties at fixed or variable prices. For instance, CGC is currently the only customer of Vert Mirabel pursuant to an offtake agreement whereby CGC acquires 100% of the cannabis produced at Vert Mirabel at a discount to prevailing market prices. In the event that the market price of cannabis declines further, it may no longer be economically feasible for certain counterparties, such as Vert Mirabel, to perform their contractual obligations. As such, the counterparties may seek to renegotiate these agreements, and the value of such agreements for the Investees could be materially impacted.

Infectious Diseases, Including the COVID-19 Pandemic

The Company and the Investees may be adversely affected by a significant outbreak or the threat of outbreaks of viruses or other infectious diseases or similar health threats, including the outbreak of COVID-19, which has been declared a pandemic by the World Health Organization and continues to spread in Canada, the U.S., Europe, and globally, including in multiple jurisdictions where the Company and the Investees have operations. The COVID-19 pandemic has caused companies and various international jurisdictions to impose restrictive measures such as quarantines, business closures, and travel restrictions.

The Company has successfully adopted a work-from-home program which has allowed it to remain fully operational and has announced a series of operational changes designed to optimize its organizational structure, streamline operations, and preserve and maximize cash-on-hand. However, the situation is changing rapidly and it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Company and the Investees due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, containment and treatment of COVID-19, and the length of the travel restrictions, business closures, and other restrictions that have been or may be imposed by government authorities.

The impact of the COVID-19 pandemic has, and will likely continue to, adversely affect global economies and financial markets, resulting in an economic downturn that has, and could continue to, cause a loss of sales, operational and supply chain delays and disruptions (including as a result of government regulation and prevention measures), labour shortages and shutdowns, social unrest, declines in the price of goods and services, government, regulatory or private sector actions or inactions, capital markets volatility, a reduction in available financing for the Company or the Investees, or other unknown but potentially significant impacts, all of which could have a material adverse effect on the business, financial condition, operating results, and cash flows of the Company and the Investees.

The COVID-19 pandemic and the related laws may negatively impact certain Investees, including the cost of conducting operations, the amount of sales, and the impact of facility, retail, and workplace closures. Further changes to the operations of certain Investees may be required in the future as the situation continues to evolve.

Challenging Global Financial Conditions

In recent years, global financial conditions have displayed increased volatility, with such volatility having caused significant financial institutions to, among other things, go into bankruptcy or be rescued by governmental authorities. Future events could cause global financial conditions to destabilize suddenly and rapidly, and governmental authorities may have limited resources to respond to such future crises. Further, global capital markets have displayed increased volatility in response to recent global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, pandemics or outbreaks of new infectious diseases or viruses, changes to energy prices, or sovereign defaults. Any sudden or rapid destabilization of global economic conditions, including as a result of the COVID-19 pandemic, could negatively impact the ability of the Company or the Investees to obtain equity or debt financing or make other suitable arrangements to finance their projects. It may also impact the ability of the Investees to meet their commitments to the Company and other counterparties, including royalty payments, interest payments, lease payments, and other debt obligations, which may negatively impact the Company's financial condition, operating results, and cash flow. If increased levels of volatility continue or if there is a general decline in global economic conditions, it may impact, among other things, the operations of certain Investees, patterns of consumption and service, the financial markets, the price of the Subordinated Voting Shares, the value of the Company's investments, and the Company's ability to realize successful monetization events involving its economic interests in the Investees, which could have a material adverse effect on the Company and the Investees.

Limited Operating History

The Company has a limited history of operations and is in an early stage of development as it creates an infrastructure aimed at capitalizing on opportunities 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 income. This 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 investing activities, the Company may not generate positive net cash flow. There is no assurance that future income will be sufficient to generate the funds required to continue operations without external funding.

Volatility of the Subordinated Voting Share Price

The market price of the Subordinated Voting Shares may be subject to wide fluctuations in response to many factors, including variations in the financial results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by market analysts, changes in the Company's business prospects, developments with respect to the Investees, general economic conditions (including volatile economic conditions in response to the COVID-19 pandemic), regulatory changes, industry trends impacting the cannabis sector generally, and other events and factors outside of the Company's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Subordinated Voting Shares. Continued volatility of the market price of the Subordinated Voting Shares may impact the ability of the Company to raise additional capital.

Security over Underlying Assets

There is no guarantee that the Company will be able to effectively enforce any guarantees, indemnities, or other security interests it may have, including security interests in the Investees. Should a bankruptcy or other similar event occur that precludes an Investee from performing its obligations under an agreement with the Company, the Company would have to enforce its security interest if it has one. However, the Company may be limited in its ability to enforce its security interests under applicable law. In the event that the Investee has insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

In addition, because the Investees may be owned and operated by foreign affiliates, the Company's security interests may be subject to enforcement and insolvency laws of foreign jurisdictions that differ significantly from those in Canada, and the Company's security interests may not be enforceable as anticipated. Further, there can be no assurance that any judgments obtained in Canadian courts will be enforceable in any of those jurisdictions. If the Company is unable to enforce its security interests, there may be a material adverse effect on the Company. Moreover, the Company may not be able to negotiate a security interest, or the perfection or registration of such security may be cost prohibitive.

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 control over financial reporting is not guaranteed to provide absolute assurance regarding 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, it 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, harm the Company's ability to raise capital, and 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 increase the volatility of the price of the Subordinated Voting Shares.

Furthermore, the Company is dependent upon the quality of financial information provided to it by certain Investees, which in turn is dependent upon adequate internal controls over financial reporting within the Investees' respective finance functions. While the Company works closely with the Investees with respect to receiving, analyzing, and querying the financial information received, there can be no assurance that the financial information provided by Investees is accurate and free of material misstatement or fraud. Should the financial information provided by Investees be materially incorrect, the Company may be required to re-file its financial statements, which could also cause investors to lose confidence in the Company's reported financial information, which in turn could also result in a reduction in the trading 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 and result in a reduction in the trading price of the Subordinated Voting Shares.

Difficulty to Forecast

The Company relies largely on its own market research and information provided by the Investees to forecast industry trends, statistics, and market sizes, as well as the success of the business, products, plans, and strategies of the Investees as detailed forecasts are, with certain exceptions, not generally available from other sources at this early stage of the cannabis industry. If the Company's forecasts are not accurate as a result of competition, technological change, change in the regulatory or legal landscape, change in consumer behavior, or other factors, including the impact of the COVID-19 pandemic, the business, financial condition, and results of operations of the Company may be adversely effected.

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.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a material adverse effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company enters into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events, actions, or prospects at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

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.

PFIC Classification

The Company believes that it meets the requirements to be considered a passive foreign investment company ("PFIC") within the meaning of the U.S. Internal Revenue Code for the year ended March 31, 2020. Accordingly, certain potentially adverse U.S. federal income tax rules may cause U.S. federal income tax consequences for the Company's U.S. investors resulting from the acquisition, ownership, and disposition of Subordinated Voting Shares.

The determination as to whether a corporation is, or will be, a PFIC for a particular tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations and uncertainty. Whether any corporation will be a PFIC for any tax year depends on its assets and income over the course of such tax year, and, as a result, the Company's PFIC status for its current tax year and any future tax year cannot be predicted with certainty. The PFIC rules are complex and may be unfamiliar to U.S. investors. Accordingly, investors subject to U.S. federal taxation are urged to consult their own tax advisors concerning the application of the PFIC rules to their investment in the securities.

For additional risk factors related to the Company's PFIC status, see the section entitled "Risk Factors" in the CGC Transaction Circular.