RIV CAPITAL

RIV CAPITAL INC. (FORMERLY, CANOPY RIVERS INC.)

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE AND TWELVE MONTHS ENDED MARCH 31, 2021 AND 2020

Date: June 2, 2021

RIV Capital Inc. (formerly Canopy Rivers Inc.) (the "Company" or "RIV Capital") is the parent company of RIV Capital Corporation (formerly Canopy Rivers Corporation) ("RCC"). References in this Management's Discussion and Analysis ("MD&A") to "RIV Capital" or the "Company" refer to RIV Capital Inc. and/or its subsidiaries, as applicable. RIV Capital 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 shares are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "RIV".

RIV Capital is an investment and acquisition firm specializing in cannabis. The Company aims to capitalize on the building momentum in the U.S. cannabis market and pursue investment or acquisition opportunities in established U.S.-based operating businesses.

This MD&A reports on the financial condition and results of operations of RIV Capital for the three and twelve months ended March 31, 2021 and 2020. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the twelve months ended March 31, 2021 and 2020 (the "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 twelve months ended March 31, 2021, and up to and including June 2**,** 2021.

Additional information, including this MD&A, the Consolidated Financial Statements, the Company's most recent 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.rivcapital.com.

The 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 June 2**,** 2021.

As of the date hereof, RIV Capital 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 defined herein and as more particularly described in "Corporate Developments – CGC Transaction"), the Company shifted its strategic focus to the pursuit of 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 Company's exposure to risks related to the cannabis industry and the ability of Investees to make royalty payments;
- 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 potential de-listing of the Company's securities from 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 cannabis 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.;
- 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;
- 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);
- 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.;

- the Company’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, if any; 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

RIV Capital 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.

RIV Capital was incorporated as “AIM2 Ventures Inc.” on October 31, 2017, under the *Business Corporations Act* (Ontario) (the “OBCA”). Prior to completing the Qualifying Transaction (as defined herein), the Company was a capital pool company under Policy 2.4 of the TSX Venture Exchange (the “TSXV”) Corporate Finance Manual. As a capital pool company, the Company 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, 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 a new class of multiple voting shares (the “Multiple Voting Shares”), and to re-designate each outstanding post-Consolidation common share as a subordinated voting share (the “Subordinated Voting Shares”).

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.

On February 23, 2021, the Company, RCC, Canopy Growth Corporation ("CGC"), and The Tweed Tree Lot Inc., a wholly-owned subsidiary of CGC ("Tweed Tree Lot") completed a plan of arrangement under the OBCA pursuant to which, among other things, the Company disposed of certain assets held by RCC in exchange for cash, common shares in the capital of CGC, and the cancellation of all shares in the capital of the Company held by CGC (collectively, the "CGC Transaction"). Following the completion of the CGC Transaction, the Company has a single class of common shares (the "Common Shares"), each of which carries one vote per share, and CGC no longer has any equity, debt, or other interest in the Company. In connection with the closing of the CGC Transaction, the Company changed its name from "Canopy Rivers Inc." to "RIV Capital Inc." and RCC changed its name from "Canopy Rivers Corporation" to "RIV Capital Corporation". Please refer to "Corporate Developments – CGC Transaction" herein for additional details about the CGC Transaction.

As of the date of this MD&A, the Company has three wholly-owned subsidiaries: RCC (a corporation existing under the *Canada Business Corporations Act*), as well as 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.

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. RIV Capital has active investments through a variety of financial structures in 12 companies (the "Investees"), which excludes certain investments that the Company has written off as a result of ongoing bankruptcy or insolvency proceedings.

In connection with the completion of the CGC Transaction, the Company announced a shift in its strategic focus to the U.S. cannabis market. 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

Prior to the closing of the CGC Transaction, the Company was a venture capital firm specializing in cannabis. The Company's business strategy was to create shareholder value through the continued deployment of strategic capital throughout the global cannabis sector. The Company identified strategic counterparties that were seeking financial and/or operating support, and aimed 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.

RIV Capital made investments through a variety of financial structures (including common and preferred equity, debt, royalty, joint venture, and profit-sharing agreements, among others) in 20 companies, including seven Investees with international operations, and in doing so established a diversified portfolio of investments, which included 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.

On February 23, 2021, the Company completed the CGC Transaction. Please refer to "Corporate Developments – CGC Transaction" herein for additional details about the CGC Transaction. Upon completion of the CGC Transaction, the Board, in consultation with management and external advisors, comprehensively re-evaluated the Company's business and investment strategy. Accordingly, the Company has shifted its strategic focus to 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 RIV Capital 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, with an initial focus on Canadian investment opportunities. As cannabis markets around the world continued to evolve, global investment opportunities emerged as well.

The commercialization of cannabis through medical and adult-use regulatory reform has created economic opportunities for entities directly involved in the production of cannabis globally. These 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, including software and technology platforms, device manufacturers, and plant science innovators. 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.

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 investments in the following companies:

Company[(1)]	Location of Operations
Agripharm	Canada (Alberta, British Columbia, Saskatchewan, and Ontario)
BioLumic	New Zealand, U.S. and Europe
Civilized[(2)]	Canada (New Brunswick) and U.S.
Dynaleo	Canada (Ontario and Alberta)
Greenhouse Juice	Canada (Ontario)
Headset	Canada (Alberta, British Columbia, Ontario, and Saskatchewan) and U.S.
Herbert[(2)]	Canada (Ontario)
High Beauty	U.S., Canada, Europe, Hong Kong, and the UAE
LeafLink International	Canada (Ontario)
PharmHouse[(3)]	Canada (Ontario)
Radicle	Canada (Ontario)
Tweed Tree Lot[(4)]	Canada (New Brunswick)
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 (each 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) and has no material assets. The Company does not currently ascribe any value to this investment. Please refer to "Corporate Developments – Investments – PharmHouse" for additional information.

(4) As of the date of this MD&A, Tweed Tree Lot does not have any active operations. The Company's investment relates solely to a property that it has leased to Tweed Tree Lot.

As discussed above in "Corporate and Investment Strategy", upon completion of the CGC Transaction, the Board comprehensively re-evaluated the Company's business and investment strategy. As a result, the Company has shifted its strategic focus to 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 18 states where cannabis is legal for adult use and 36 states where cannabis is legal for medical use, representing a large addressable population. According to data published by BDS Analytics and Arcview Market Research in March 2021, the country's legal cannabis sales totaled approximately US$17.5 billion in 2020. 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, with the completion of the CGC Transaction, it is well-positioned with its strong balance sheet and existing expertise and knowledge of the U.S. cannabis landscape to enter the U.S. market in earnest

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, 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.

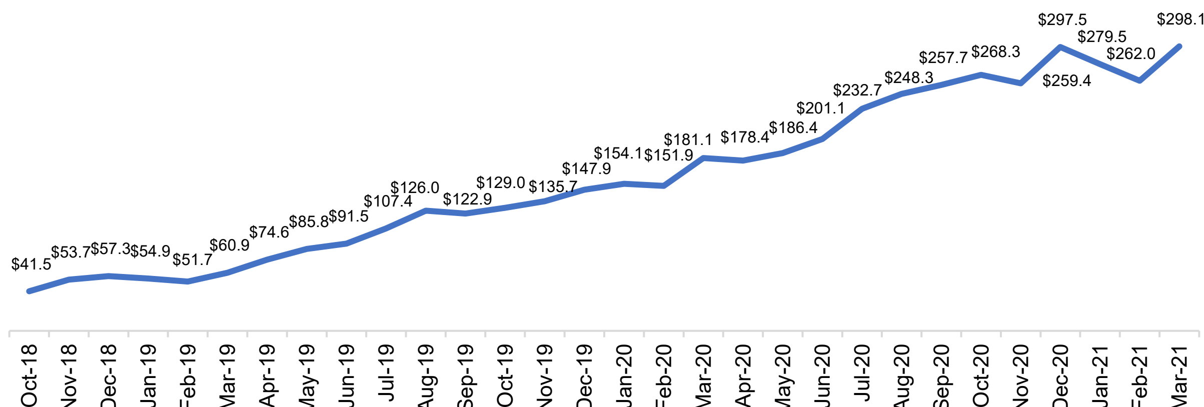
Under the Cannabis Act, Health Canada has been granted the authority to issue a wide range of licences, including licences for standard cultivation, micro-cultivation, industrial hemp cultivation, and nursery cultivation, licences for standard processing and micro-processing, medical sales licences, 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. Certain of the Investees have struggled as a result of these market-wide challenges. 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]

Cannabis Retail Sales in Canada ($ millions)
Oct 2018 - Mar 2021



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, removed industrial hemp and its cannabinoids, including cannabidiol (“CBD”) derived from industrial hemp (as defined in the 2018 Farm Bill), from the U.S. Controlled Substances Act (the “CSA”) and amended 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 imposed 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 would delay enforcement of certain requirements of the interim final regulations pertaining to analytical testing and disposal requirements until October 31, 2021, or publication of the final rule, whichever occurred first. On January 11, 2021, the USDA announced the final regulations, with an effective date of March 22, 2021. The final regulations generally track the interim final regulations, though with some modifications.

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 regarding 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

[1] Source: Statistics Canada.

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. Additionally, in early 2021, New Mexico, New York, and Virginia passed legislation to allow adult use of cannabis. Other states, including Connecticut, Pennsylvania, and Rhode Island, 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 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

RIV Capital is not currently considered to be a U.S. Marijuana Issuer (as defined in the Staff Notice) nor does RIV Capital have material ancillary involvement in the U.S. cannabis industry in accordance with the Staff Notice. Furthermore, RIV Capital and the Investees, are not currently directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice).

While the Company does not currently engage in activities in the U.S. related to cultivating and distributing cannabis, upon completion of the CGC Transaction, the Board, in consultation with management and external advisors, comprehensively re-evaluated the Company's business and investment strategy. The Company has shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. 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.

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. Listing of the Common Shares on another stock exchange will be subject to satisfaction of all listing requirements of such exchange.

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.

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.

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 continuing to evolve, 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 as 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 also implemented measures to manage its cash resources at a time when liquidity was 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 included: 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. The Company achieved the targeted reduction in operating cash outflows on a normalized basis for fiscal year 2021.

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, certain 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 and Radicle (as defined herein).

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

On February 23, 2021, the Company closed the CGC Transaction. Pursuant to the CGC Transaction, among other things, the Multiple Voting Shares and Subordinated Voting Shares that CGC held in the Company were cancelled. Please refer to "Corporate Developments – CGC Transaction" herein for additional details about the CGC Transaction.

Accordingly, as a result of the completion of the CGC Transaction, the Company's dual class share structure was eliminated and the Company's authorized share capital currently consists of an unlimited number of Common Shares. Each Common Share is entitled to one vote at all meetings of the shareholders of the Company. Given that the Common Shares carry the same basic characteristics as the legacy Subordinated Voting Shares (i.e. one vote per share), the term "Common Shares" may be used interchangeably with "Subordinated Voting Shares" herein when describing share capital activity that occurred prior to the closing of the CGC Transaction. Furthermore, any references herein to "Common Shares" in the context of the Company's total issued and outstanding shares refers to the total of the Multiple Voting Shares and Subordinated Voting Shares issued and outstanding prior to the closing of the CGC Transaction, and the total common shares outstanding subsequent to the closing of the CGC Transaction.

Capital Activity During the Period

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 Common Shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. During the three and twelve months ended March 31, 2021, the Company repurchased for cancellation a total of nil and 273,300 Common Shares, respectively, pursuant to the NCIB for $nil and $307, at a weighted average acquisition price of $nil and $1.11 per Common Share. The NCIB expired on April 1, 2021

CGC Transaction

As described in "Corporate Developments – CGC Transaction" herein, pursuant to the CGC Transaction, among other things, the 36,468,318 Multiple Voting Shares and 15,223,938 Subordinated Voting Shares that CGC held in the Company were cancelled.

Financings

There were no financings completed during the three and twelve months ended March 31, 2021.

Summary

Below is a summary of the Company's capital activity during the twelve months ended March 31, 2021:

	Multiple Voting Shares	Subordinated Voting Shares
Opening balance – March 31, 2020	36,468,318	152,837,131
Exercise of seed capital options	-	1,905,559
Exercise of other options	-	2,720,301
Redemption of RSUs	-	118,770
Repurchased for cancellation (NCIB)	-	(273,300)
Repurchased for cancellation (CGC Transaction)	(36,468,318)	(15,223,938)
Ending balance – March 31, 2021	**-**	**142,084,523**

CGC Transaction

On December 21, 2020, the Company, RCC, CGC, and Tweed Tree Lot entered into a definitive arrangement agreement, pursuant to which, among other things, the Company agreed to dispose of certain assets held by RCC in exchange for cash, common shares in the capital of CGC, and the cancellation of all shares in the capital of the Company held by CGC, all by way of a plan of arrangement under the OBCA. The RCC assets disposed of pursuant to the CGC Transaction included the TerrAscend Term Loan, TerrAscend Warrants II, Exchangeable Shares, Tweed Tree Lot royalty interest, Vert Mirabel common shares, and Vert Mirabel preferred shares (each as defined herein).

In connection with the CGC Transaction, Bertrand (as defined herein) exercised its right of first refusal ("ROFR") to purchase its proportionate interest in the Vert Mirabel common shares held by the Company. Accordingly, RCC sold 117 Vert Mirabel common shares to Bertrand for cash consideration of $3,398, and sold the TerrAscend Term Loan, TerrAscend Warrants II, Exchangeable Shares, Tweed Tree Lot royalty interest, 143 Vert Mirabel common shares, and

Vert Mirabel preferred shares to CGC in exchange for $115,000 in cash and 3,647,902 common shares of CGC, as well as the cancellation of all Multiple Voting Shares and Subordinated Voting Shares of the Company held by CGC. The CGC Transaction closed on February 23, 2021, and in connection therewith the Company changed its name from "Canopy Rivers Inc." to "RIV Capital Inc." and RCC changed its name from "Canopy Rivers Corporation" to "RIV Capital Corporation".

The disposition and transfer of financial assets that occurred in connection with the CGC Transaction triggered a series of taxable events for the Company based on the value of consideration received upon closing. The common shares of CGC received by the Company pursuant to the CGC Transaction have a cost base for tax purposes that is approximately equal to the fair market value of these common shares of CGC on February 23, 2021. After consideration of other net capital and non-capital losses available to the Company to reduce the taxes payable pursuant to the CGC Transaction, the Company calculated its current tax liability as at March 31, 2021, to be $17,538. The Company anticipates that the disposition of any common shares of CGC subsequent to March 31, 2021 that occurs at a price below the fair market value per CGC share on February 23, 2021 will result in a capital loss that the Company can utilize to either reduce taxable income in the taxation year during which the disposition occurs if the Company is in a net income position for tax purposes, or carry back to the three prior taxation years to claim a refund if the Company is in a net loss position for tax purposes. Similarly, the Company anticipates that dispositions that occur at a price above the fair market value per CGC share on February 23, 2021 will result in a capital gain that will increase taxable income in the taxation year during which the disposition occurs.

Please refer to the Company's Management Information Circular in respect of the CGC Transaction dated January 15, 2021 (the "CGC Transaction Circular"), available on the Company's profile on SEDAR, for additional information about the CGC Transaction.

Investments

During the three months ended March 31, 2021, the Company added one Investee to its portfolio and divested its interest in four Investees. During the twelve months ended March 31, 2021, the Company added two Investees to its portfolio and divested its interests in five Investees. Please refer to the Consolidated Financial Statements, 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 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 a warrant 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 twelve months ended March 31, 2021, 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 as at March 31, 2021, of $5,669 and future minimum annual royalties of $4,000. Accordingly, the Company recognized a provision for expected credit losses on the royalty receivable on its statement of comprehensive income (loss) in the Consolidated Financial Statements, and adjusted the cash flow assumptions used in its fair value estimate for the royalty interest to reflect revised projections of royalty payments based on discussions with Agripharm, which resulted in a material decrease in the estimated fair value of the royalty interest for the three and twelve months ended March 31, 2021. Please refer to “Results of Operations” for additional details.

BioLumic

BioLumic Inc. (“BioLumic”) is a leader in the emerging field of light signal treatments for agriculture, with a focus on unlocking the natural genetic potential of seeds and seedlings. BioLumic’s Light Signals Recipes™ have demonstrated significant and consistent gains in crop yield, plant quality, and disease resistance, without the addition of chemicals or changes in plant production systems. The company has applied its technology and research to cannabis, soybeans, corn, lettuce, and strawberries, with plans to expand to additional controlled environment agriculture and row crop applications in the second half of 2021. BioLumic’s coupled marker and phenotype research is being used to define “BioLumic-Ready crops” that can achieve predictable gains using the company’s growing library of light signal treatments. BioLumic expects to expand testing and development of BioLumic’s Light Signals Recipes™ to over 50 cannabis strains by early 2022 and plans to deploy its technology through partner technology and production systems.

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. This 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. After experiencing significant financial challenges, Civilized recently recapitalized its business and plans to relaunch its platforms in the near term.

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 impacted Greenhouse Juice's operations and caused revenue to decline, the Company adjusted its estimate of Greenhouse Juice's 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.

On January 13, 2021, the Company and Greenhouse Juice amended the terms of the preferred share purchase warrant certificate, which had included mandatory exercise provisions upon the achievement of certain revenue targets by Greenhouse Juice. As a result of the agreed-upon amendments, the face value of the warrants was reduced from $3,000 to $2,000, the exercise price was reduced, and 50% of the warrants were required to be exercised by a certain date irrespective of the achievement of certain revenue targets.

In accordance with these revised terms, on February 17, 2021, the Company exercised 924,582 preferred share purchase warrants of Greenhouse Juice for an aggregate purchase price of $1,000. Accordingly, as at March 31, 2021, the Company owned 2,905,830 preferred shares of Greenhouse Juice.

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 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, Ontario, and Saskatchewan), 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 beverage 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 psychoactive substances including THC and CBD, in combination with certified organic plant oils, high-potency antioxidants, and pure plant essential oils. The company has distribution partnerships through approximately 42 retailers with approximately 2,340 stores in the U.S., Canada, Hong Kong, the United Arab Emirates, and the European Union. The *high*-branded portfolio of facial products includes a cleansing foam, facial oil, facial moisturizer, eye gel, and peeling mask. *high* recently launched its blemish products in the U.S., including the *high & bye* clearing gel and refining oil. *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 and Cult Beauty in Europe. The *canBE Naturally* brand offers three products, including a cleansing gel, moisturizer, and oil. *canBE Naturally* is distributed through U.S. retailers, including approximately 1,760 CVS stores nationwide, Walmart.com, SkinStore, AskDerm, and natural food retailers.

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.

As at December 31, 2020, as a result of previously-recognized impairment charges and cumulative net losses, the carrying value of the Company's investment in High Beauty preferred shares had been reduced to $nil.

LeafLink International

LeafLink Services International ULC ("LeafLink International") is a 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 approximately 6,975 cannabis retailers across approximately 25 territories in the U.S. with approximately 1,829 vendors, servicing approximately US$4.2 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 approximately 87 cannabis retailers and approximately 68 vendors in Canada, with further provincial expansion underway.

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

Nova Cannabis

Nova Cannabis Inc. (formerly YSS Corp.™) ("Nova Cannabis") is a publicly-traded company listed on the TSXV under the trading symbol "NOVC" and on the Frankfurt Stock Exchange under the trading symbol "2LK.BE". With retail operations under the "Value Buds" and "Nova Cannabis" banners, Nova Cannabis currently operates approximately 53 licensed retail stores in Alberta, Ontario, and Saskatchewan, which are now offering online ordering by way of click-and-collect.

Prior to March 31, 2020, the Company acquired common shares of Nova Cannabis. Please refer to "Subsequent Events" for additional information.

PharmHouse

PharmHouse Inc. ("PharmHouse"), a company formerly licensed to cultivate cannabis under the Cannabis Act, is currently subject to creditor protection proceedings under the CCAA. PharmHouse was formed on May 7, 2018, 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").

During the twelve months ended March 31, 2021, several significant developments occurred at PharmHouse that have had a material negative impact on the Company. These developments are summarized below.

<u>CCAA Proceedings</u>

During the twelve months ended March 31, 2021, 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 explored a potential restructuring of its business and operations (the "Restructuring").

On October 29, 2020, PharmHouse received approval from the Court to commence its Sale and Investor Solicitation Process (the "SISP"). The SISP was intended to solicit interest in, and opportunities for, a sale of, or investment in, all

or part of PharmHouse's assets or business, which could include a restructuring, recapitalization, or other form of reorganization of PharmHouse's business and affairs. During the SISP, PharmHouse continued its business operations with funding provided by the DIP Financing (as defined herein). The company planted multiple flowering zones and continued to work toward servicing its offtake agreements and developing relationships with potential new customers.

On March 3, 2021, as a result of the SISP, PharmHouse entered into a binding asset purchase agreement (the "PharmHouse Asset Purchase Agreement") to sell various operating assets, including its facility and certain equipment located at the facility. The Court approved the PharmHouse Asset Purchase Agreement on March 11, 2021. Please refer to "Subsequent Events" for additional information on the sale.

PharmHouse Recoverability Assessment

During the twelve months ended March 31, 2021, 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. Accordingly, the Company estimated the recoverable amount of PharmHouse en bloc and then compared this total 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, to determine the quantum of charges to be recognized in respect of its various financial assets (the "PharmHouse Recoverability Assessment").

As at each of September 30, 2020, and December 31, 2020, 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. In determining the FVLCD of PharmHouse's assets, the Company used an asset-based approach assuming an orderly liquidation scenario wherein the PharmHouse greenhouse facility is sold for purposes other than cannabis operations and the company's other assets are liquidated. The significant components of this fair value analysis included PharmHouse's greenhouse facility and retrofits, separable machinery and equipment, saleable inventory, and cash, net of the costs associated with completing such liquidation. This analysis resulted in an estimated recoverable amount of PharmHouse en bloc of $65,000 and $57,500 on September 30, 2020, and December 31, 2020, respectively.

As at March 31, 2021, the Company refined its estimate of the recoverable amount of PharmHouse en bloc using the net proceeds expected to be received pursuant to the PharmHouse Asset Purchase Agreement, as well as the forecasted cash available for distribution upon termination of the CCAA Proceedings. Based on the foregoing, as at March 31, 2021, the Company estimated the recoverable value of PharmHouse's assets to be approximately $62,000. Further information on the PharmHouse Recoverability Assessment can be found in Notes 6 and 16 of the Consolidated Financial Statements.

PharmHouse Guarantee

Prior to the reporting period, 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 (the "PharmHouse Credit Facility"), which was fully drawn. The obligations of PharmHouse under the PharmHouse Credit Facility were secured by guarantees of the Company and RCC, and a pledge by RCC of all of the shares of PharmHouse held by it (the "PharmHouse Guarantee"). Accordingly, if PharmHouse was not able to service its obligations pursuant to the PharmHouse Credit Facility, the Company would be required to compensate the Lenders for their loss incurred on the PharmHouse Credit Facility. The PharmHouse Credit Agreement also contained other covenants applicable to the Company.

Based on the PharmHouse Recoverability Assessment, the Company determined that the recoverable amount of PharmHouse's assets would be less than the principal amount owed by PharmHouse to the Lenders pursuant to the PharmHouse Credit Facility. Accordingly, the Company estimated the provision for expected credit losses on its financial guarantee liability related to the PharmHouse Guarantee, which prior to the CCAA Proceedings had a carrying value of $nil, to reflect the estimated shortfall between the recoverable amount of PharmHouse en bloc and the Company's exposure to the PharmHouse Credit Facility.

On March 16, 2021, subsequent to the signing of the PharmHouse Asset Purchase Agreement and in recognition that the Company's liability related to the PharmHouse Guarantee would be greater than $25,000, the Company made a payment of $25,000 directly to the Lenders (the "First Guarantee Payment"). As a result of the First Guarantee Payment, the principal amount outstanding pursuant to the PharmHouse Credit Facility was reduced to $65,000.

As at March 31, 2021, based upon the estimated recoverable amount of PharmHouse en bloc of $62,000 and the outstanding principal amount pursuant to the PharmHouse Credit Facility of $65,000, the Company estimated the carrying value of its residual financial liability related to the PharmHouse Guarantee to be $3,000 and recognized a

financial guarantee liability for this amount on its statement of financial position. Cumulatively, during the twelve months ended March 31, 2021, the Company recognized a provision for expected credit losses on the PharmHouse Guarantee of $28,000 (represented by the First Guarantee Payment of $25,000 and the residual estimated carrying value of the financial liability related to the PharmHouse Guarantee of $3,000 as at March 31, 2021) in its statement of comprehensive income (loss) in the Consolidated Financial Statements.

DIP Financing

Pursuant to the Initial Order, as amended and restated on September 28, 2020, RIV Capital entered into 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 originally 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.

The Company amended the DIP Financing agreement entered into between the Company and PharmHouse several times between September 24, 2020, and March 11, 2021. As a result of the amendments, dated December 15, 2020, February 5, 2021, and March 11, 2021, the maximum size of the DIP Financing increased from $7,214, to $10,740 (including accrued interest), and the maturity date was extended from December 29, 2020, to June 30, 2021.

As at March 31, 2021, and as of the date of this MD&A, the Company had advanced $10,000 pursuant to the DIP Financing.

As discussed in Note 6 of the Consolidated Financial Statements, as a result of the PharmHouse Recoverability Assessment, the Company determined that the amounts advanced pursuant to the DIP Financing would not be recoverable. Accordingly, the Company recognized a provision for expected credit losses of $1,700 and $10,000 for the three and twelve months ended March 31, 2021, respectively, on its statement of comprehensive income (loss) in the Consolidated Financial Statements, and subsequently wrote off the full loan receivable balance related to the DIP Financing.

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 March 31, 2021, the Company had advanced an aggregate total of $43,656 (with accrued interest of $8,939) pursuant to the shareholder loan, secured demand promissory note, and unsecured demand promissory note.

As discussed in Note 6 of the 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, would not be recoverable. Accordingly, the Company recognized a full provision for expected credit losses on its statement of comprehensive income (loss) in the Consolidated Financial Statements, and subsequently wrote off the full loan receivable and interest receivable balances related to these debt instruments.

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 6 of the 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 Consolidated Financial Statements.

Statement of Claim

On September 14, 2020, the Company received a statement of claim (the "Original Claim") filed by the PharmHouse Majority Shareholder concerning certain disputes relating to PharmHouse. The Original 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 Original 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 Original Claim and agreed not to issue a new claim in respect of this matter prior to January 1, 2021.

On February 10, 2021, the Company received a revised statement of Claim (the "Revised Claim") filed by the PharmHouse Majority Shareholder. The Revised Claim is substantially similar to the Original Claim.

The Company considers the Revised Claim as it relates to its own actions to be completely without merit and intends to vigorously defend its position at the appropriate time and in the appropriate forum. The Company has not recognized any provision relating to the Revised Claim.

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 in British Columbia, Ontario, and 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 warrants to purchase additional common shares of, Radicle.

ZeaKal

ZeaKal, Inc. ("ZeaKal"), a California-based plant science company, is building a value-driven "NewType" of agriculture to harmonize the needs of farmers, consumers, and the planet. Its flagship plant trait technology, PhotoSeed™, helps crops capture more carbon and sunlight, leading to healthier, nutrient-rich food and feed grown on a smaller environmental footprint. The company goes beyond science to make affordable nutrition more sustainable, with marketable differentiation for growers. ZeaKal is currently developing its PhotoSeed™ technology for hemp.

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

New Investments Made During the Twelve months ended March 31, 2021

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 agreement, along with accrued interest, converted into 1,499,569 common shares of Dynaleo.

CGC

As described above, and further in “Corporate Developments – CGC Transaction”, on February 23, 2021, the Company closed the CGC Transaction. Pursuant to the CGC Transaction, CGC issued 3,647,902 common shares of CGC to the Company on closing in exchange for the TerrAscend Warrants I, TerrAscend Warrants II, Exchangeable Shares, and Vert Mirabel common shares.

Subsequent to the closing of the CGC Transaction and during the twelve months ended March 31, 2021, the Company sold 82,500 common shares of CGC at an average price of $40.03 per share for aggregate net proceeds of $3,300. Please refer to “Subsequent Events” for additional information.

Divestments Made During the Three and Twelve months ended March 31, 2021

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 common shares 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 payable 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. In connection with the Canapar sale transaction, the Company also transferred the aforementioned call option to RAMM. No consideration was received for the call option.

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.

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 were not entitled to any voting rights, dividends, or other rights upon the dissolution of TerrAscend. The Exchangeable Shares were 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 did not provide (and there were no related contractual rights that would have otherwise provided) 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 was 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 were only exercisable following the TerrAscend Triggering Event and would have expired 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 were treated as a combined instrument for accounting purposes and are herein collectively referred to as the “TerrAscend Term Loan”.

Pursuant to the CGC Transaction, CGC delivered a cash payment of $64,307, and issued 3,410,437 common shares of CGC and a promissory note in the amount of $57,523 (the “CGC Note”) to the Company on closing in exchange for the Exchangeable Shares. Also pursuant to the CGC Transaction, CGC delivered a cash payment of $13,243 and issued 112,680 common shares of CGC to the Company on closing in exchange for the TerrAscend Term Loan and TerrAscend Warrants II held by the Company. Accordingly, as at March 31, 2021, the Company did not own any financial assets in TerrAscend or TerrAscend Canada. Please refer to “Corporate Developments – CGC Transaction” herein for additional details.

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 operated 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 March 31, 2021, there had been no amendments to the lease agreement between the Company and Tweed Tree Lot.

Pursuant to the CGC Transaction, CGC delivered a cash payment of $15,000 to the Company to terminate the Tweed Tree Lot royalty agreement. Please refer to “Corporate Developments – CGC Transaction” herein for additional details.

Vert Mirabel

Les Serres Vert Cannabis Inc. (“Vert Mirabel”) is a company licensed to cultivate cannabis under the Cannabis Act. Vert Mirabel was a joint venture between the Company, 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 was subject to risk from economic reliance on CGC due to the fact that CGC was considered to be a controlling shareholder of Vert Mirabel as a result of the rights afforded to it pursuant to the shareholders agreement among RCC, CGC, and Bertrand, and that CGC was 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, CGC delivered a cash payment of $22,450 to the Company on closing in exchange for the 15,000,000 class A preferred shares of Vert Mirabel held by the Company. Also pursuant to the CGC Transaction, CGC delivered a nominal cash payment and issued 124,785 common shares of CGC to the Company in exchange for 143 of the 260 Vert Mirabel common shares held by the Company. In connection with the CGC Transaction, and pursuant to its ROFR rights in respect of the subject shares, Bertrand also delivered a cash payment of $3,398 to the Company in exchange for the other 117 Vert Mirabel common shares held by the Company. Accordingly, as at March 31, 2021, the Company did not own any shares of Vert Mirabel. Please refer to “Corporate Developments – CGC Transaction” herein for additional details.

Other

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. During the twelve months ended March 31, 2021, JWC entered into creditor protection proceedings under the 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; and Eureka filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) and was deemed bankrupt.

Summary

Below is a summary of the Company's investments as at March 31, 2021. Please refer to Note 16 of the 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 Mar. 31, 2021**	**Notes[(1)(2)]**
Agripharm[(3)]	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)
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
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

(1) The information contained in this table excludes certain yield investments that the Company had written off or ascribed a fair value of $nil as at March 31, 2021, including the PharmHouse shareholder loan, secured demand promissory note, unsecured demand promissory note, and DIP Financing, as well as the Civilized convertible debenture. See "Corporate Developments – Investments" herein for additional details.

(2) Annual payments 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.

(3) See "Corporate Developments – Investments – Agripharm" herein for additional details relating to the risks associated with the required annual payment.

Equity and Warrant Investments				
Investee	**Investment**	**Cost Base[(1)]**	**Number of Shares / Warrants**	**Notes[(2)]**
BioLumic[(3)]	Preferred shares	$2,024	381,590	• Represents an approximate 11% equity interest on a fully-diluted basis
CGC	Common shares	n/a	3,565,402	• Represents a less than 1% equity interest on a fully-diluted basis
Dynaleo	Common shares	$1,613	1,499,569	• Represents an approximate 9% equity interest on a fully-diluted basis
	Warrants	$387	1,000,000	
Greenhouse Juice[(3)]	Preferred Shares	$4,000	2,905,830	• Represents an approximate 26% equity interest on a fully-diluted basis (excluding control warrant) • Control warrant to purchase 51% of the fully-diluted shares
	Warrants	Nominal	924,582	
Headset[(3)]	Preferred shares	$4,279	1,572,588	• Represents an approximate 8% equity interest on a fully-diluted basis
Herbert[(4)]	Preferred shares	$1,406	4,074,074	• Represents an approximate 25% equity interest on a fully-diluted basis (excluding control warrant) • Control warrant to purchase 51% of the fully-diluted shares
	Warrants	$94	n/a	

Equity and Warrant Investments				
Investee	**Investment**	**Cost Base[1]**	**Number of Shares / Warrants**	**Notes[2]**
High Beauty[3][5]	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
Nova Cannabis	Common shares	$3,265	10,883,333	• Represents an approximate 1% 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	
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 an 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.), and is not representative of consideration that the Company separately and specifically paid for such warrants. Cost base for share investments that resulted from the conversion of previously-held debentures is based on the original cost base of the corresponding debenture.

(2) The information contained in this table excludes the Company's equity-related investments in PharmHouse and Civilized that the Company has written off or ascribed a fair value of $nil as at March 31, 2021. See "Corporate Developments – Investments" herein for additional details.

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

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

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

RESULTS OF OPERATIONS

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

	Three months ended March 31,			Twelve months ended March. 31,		
	2021	2020	2019	2021	2020	2019
Summary Operating Results						
Operating income[1]	$ 748	$ 2,589	$ 2,558	$ 618	$ 11,922	$ 4,867
Operating expenses	7,890	3,484	7,512	15,505	19,303	30,450
Net operating loss (before equity method investees and fair value changes)	(7,142)	(895)	(4,954)	(14,887)	(7,381)	(25,583)
Equity method investees and fair value changes[2]	(19,857)	(29,656)	3,524	(16,874)	(32,323)	34,563
PharmHouse-related charges[3]	2,800	(1,015)	-	(118,681)	(2,253)	(953)
Net operating income (loss)	(24,199)	(31,566)	(1,430)	(150,442)	(41,957)	8,027
Net income (loss)	(21,478)	(30,515)	(1,826)	(133,880)	(40,566)	3,918
Other comprehensive income (loss) (net of tax)	86,324	(6,280)	22,418	201,201	(77,560)	(34,271)
Total comprehensive income (loss)	64,846	(36,795)	20,592	67,321	(118,126)	(30,353)
Basic earnings (loss) per share ("EPS")	$ (0.13)	$ (0.16)	$ (0.01)	$ (0.72)	$ (0.22)	$ 0.03
Diluted EPS	$ (0.13)	$ (0.16)	$ (0.01)	$ (0.72)	$ (0.22)	$ 0.02
Summary Cash Flow Results						
Cash from (used in) operating activities	$ (5,278)	$ (686)	$ 700	$ (8,093)	$ (7,666)	$ (2,633)
Cash from (used in) investing activities	94,142	(2,335)	(33,047)	88,232	(50,755)	(129,614)
Cash from (used in) financing activities	1,023	67	89,601	1,019	962	190,131
Balance Sheet Data						
Cash				$ 127,882	$ 46,724	$ 104,183
Total assets				335,362	300,385	419,285
Total liabilities				23,902	2,107	11,099
Shareholders' equity				311,460	298,278	408,186

(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, which is reflected in "PharmHouse-related charges".
(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 a net loss of $21,478 and basic and diluted EPS of $(0.13) for the three months ended March 31, 2021, compared with a net loss of $30,515 and basic and diluted EPS of $(0.16) for the same period last year. For the three months ended March 31, 2021, net loss was primarily driven by negative net changes in the fair value of financial assets reported at fair value through profit or loss ("FVTPL") of $19,810, operating expenses of $7,890, and a provision for expected credit losses on loans receivable of $1,700, partially offset by a change in the provision for expected credit losses on the PharmHouse Guarantee of $4,500, and income tax recovery of $2,599. For the three months ended March 31, 2020, net loss was primarily driven by negative net changes in the fair value of financial assets reported at FVTPL of $16,311, impairment of equity method investees of $11,162, operating expenses of $3,484, and share of loss from equity method investees of $3,198, partially offset by royalty and other interest income on financial assets at FVTPL of $1,488, and income on the Company's shareholder loan receivable of $1,205.

The Company reported total comprehensive income of $64,846 for the three months ended March 31, 2021, compared with total comprehensive loss of $36,795 for the same period last year. For the three months ended March 31, 2021, 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 $86,324 (net of tax), partially offset by the factors impacting net loss described above, while comprehensive loss for the three months ended March 31, 2020, was driven by negative

net changes in the fair value of financial assets at FVTOCI of $6,280 (net of tax), in addition to the factors impacting net loss described above.

The Company reported a net loss of $133,880 and basic and diluted EPS of $(0.72) for the twelve months ended March 31, 2021, compared with a net loss of $40,566 and basic and diluted EPS of $(0.22) for the same period last year. For the twelve months ended March 31, 2021, 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 $53,656, 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 $28,000, and a provision for expected credit losses on interest receivable of $8,939. The net loss was also impacted by negative net changes in the fair value of financial assets at FVTPL of $16,444, operating expenses of $15,505, and a provision for expected credit losses on interest and royalty receivables (excluding PharmHouse-related items) of $3,873, and was partially offset by income tax recovery of $18,474, royalty and interest income on financial assets at FVTPL of $10,306, and interest income on the Company's loans receivable (before provisions for credit losses) of $2,447. For the twelve months ended March 31, 2020, net loss was primarily driven by operating expenses of $19,303, negative net changes in the fair value of financial assets at FVTPL of $17,259, impairment of equity method investees of $11,162, and share of loss from equity method investees of $6,155, partially offset by royalty and other interest income on financial assets at FVTPL of $6,676, and income on the Company's shareholder loan receivable of $4,858.

The Company reported total comprehensive income of $67,321 for the twelve months ended March 31, 2021, compared with total comprehensive loss of $118,126 for the same period last year. For the twelve months ended March 31, 2021, comprehensive income was driven by positive net changes in the fair value of financial assets reported at FVTOCI of $201,201 (net of tax), offset by the factors impacting net loss described above, while comprehensive loss for the twelve months ended March 31, 2020, was driven by negative net changes in the fair value of financial assets at FVTOCI of $77,560 (net of tax), in addition to the factors impacting net loss described above.

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

The Company reported operating income (before equity method investees and fair value changes) of $748 (net of a provision for expected credit losses of $96) for the three months ended March 31, 2021, compared with operating income (before equity method investees and fair value changes) of $2,589 (net of a provision for expected credit losses of $269) for the same period last year.

For the three months ended March 31, 2021, this was primarily comprised of royalty and interest income (before provisions for expected credit losses) of $673 generated from the Company's royalty and debenture agreements with Agripharm, Greenhouse Juice, Radicle, and Tweed Tree Lot; and interest and management fee income of $171 generated from the lease agreement with Tweed Tree Lot; offset by a provision for expected credit losses on interest and royalty receivables of $96, which primarily related to the royalty receivable on the Agripharm royalty interest. For the three months ended March 31, 2020, this was primarily comprised of royalty and interest income of $1,488 generated from the Company's royalty, debenture, and loan agreements with Agripharm, Greenhouse Juice, JWC, Radicle, TerrAscend Canada, and Tweed Tree Lot; interest income of $1,205 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; offset by a provision for expected credit losses on interest and royalty receivables of $269, which primarily related to the royalty receivable on the Agripharm and JWC royalty interests.

The Company reported operating income (before equity method investees and fair value changes) of $618 (net of a provision for expected credit losses of $12,812) for the twelve months ended March 31, 2021, compared with operating income (before equity method investees and fair value changes) of $11,922 (net of a provision for expected credit losses of $269) for the same period last year.

For the twelve months ended March 31, 2021, this was primarily comprised of royalty and interest income (before provisions for expected credit losses) of $10,306 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 $677 generated from the lease agreement with Tweed Tree Lot; offset by a provision for expected credit losses on interest and royalty receivables of $12,812, which primarily related to the interest receivable on the PharmHouse shareholder loan and the royalty receivable on the Agripharm royalty interest. For the twelve months ended March 31, 2020, this was primarily comprised of royalty and interest income of $6,676 generated from the Company's royalty and interest agreements with Agripharm, Greenhouse Juice, JWC, Radicle, TerrAscend Canada, and Tweed Tree Lot; interest income of $4,858 generated from the shareholder loan agreement with PharmHouse; and interest and management fee income of $657 generated from the lease agreement with Tweed Tree

Lot; offset by a provision for expected credit losses on interest and royalty receivables of $269, which primarily related to the royalty receivable on the Agripharm and JWC royalty interests.

Operating Expenses

The Company reported total operating expenses of $7,890 for the three months ended March 31, 2021, compared with $3,484 for the same period last year.

General and administrative expenses were $1,972 for the three months ended March 31, 2021, compared with $1,330 for the same period last year. For the three months ended March 31, 2021, these expenses were primarily attributable to employee compensation of $1,392 (including a variable component that was recognized during the quarter), and other general and administrative activities (including marketing, business development, and general public company costs) of the Company of $580. For the three months ended March 31, 2020, these expenses were primarily attributable to employee compensation of $688 and other general and administrative activities of the Company of $642.

Consulting and professional fees were $685 for the three months ended March 31, 2021, compared with $866 for the same period last year. For the three months ended March 31, 2021, these expenses were primarily attributable to legal fees of $349 related primarily to litigation and general corporate and securities matters; and audit, tax, accounting, and other regulatory compliance advisory fees of $336. For the three months ended March 31, 2020, these expenses were primarily attributable to legal fees of $497; and audit, tax, accounting, and other regulatory compliance advisory fees of $369.

Share-based compensation was $500 for the three months ended March 31, 2021, compared with $1,246 for the same period last year. As discussed in the 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. 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 March 31, 2021, share-based compensation attributable to options issued to directors, officers, and employees was $269; share-based compensation attributable to PSUs (as defined herein) was $124; share-based compensation attributable to RSUs (as defined herein) granted to non-employee directors was $60; share-based compensation attributable to options issued to consultants was $47; and share-based compensation attributable to seed capital options was $nil. For the three months ended March 31, 2020, share-based compensation attributable to options issued to directors, officers, and employees was $876; share-based compensation attributable to RSUs granted to non-employee directors was $290; share-based compensation attributable to seed capital options was $51; and share-based compensation attributable to options issued to consultants was $29.

Restructuring costs for the three months ended March 31, 2021, were $4,687, compared with $nil for the same period last year. These costs primarily related to advisory and other professional fees incurred in respect of the CGC Transaction referenced in "Corporate Developments – CGC Transaction" herein.

The Company reported total operating expenses of $15,505 for the twelve months ended March 31, 2021, compared with $19,303 for the same period last year.

General and administrative expenses were $5,582 for the twelve months ended March 31, 2021, compared with $6,630 for the same period last year. For the twelve months ended March 31, 2021, these expenses were primarily attributable to employee compensation of $3,563 and other general and administrative activities (including marketing, business development, and general public company costs) of the Company of $2,019. For the twelve months ended March 31, 2020, these expenses were primarily attributable to employee compensation of $3,014 and other general and administrative activities of the Company of $3,616.

Consulting and professional fees were $1,853 for the twelve months ended March 31, 2021, compared with $3,470 for the same period last year. For the twelve months ended March 31, 2021, these expenses were primarily attributable to audit, tax, accounting, and other regulatory compliance advisory fees of $1,024; and legal fees of $829 related to investments and general corporate and securities matters. For the twelve months ended March 31, 2020, these expenses were primarily attributable to legal fees of $1,713; audit, tax, accounting, and other regulatory compliance advisory fees of $1,249; and ongoing consulting services of $508.

Share-based compensation was $934 for the twelve months ended March 31, 2021, compared with $9,033 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 prior periods, and there was a significant recapture relating

to forfeited seed capital and consultant options during the twelve months ended March 31, 2021. For the twelve months ended March 31, 2021, share-based compensation attributable to options issued to directors, officers, and employees was $1,608; share-based compensation attributable to PSUs was $587; share-based compensation attributable to RSUs granted to non-employee directors was $217; 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 $142. For the twelve months ended March 31, 2020, share-based compensation attributable to options issued to directors, officers, and employees was $4,027; share-based compensation attributable to options issued to consultants was $3,117; share-based compensation attributable to seed capital options was $1,599; and share-based compensation attributable to RSUs granted to non-employee directors was $290.

Restructuring costs for the twelve months ended March 31, 2021, were $6,953, compared with $nil for the same period last year. These costs primarily related to advisory and other professional fees incurred in respect of the CGC Transaction referenced in “Corporate Developments – CGC Transaction” herein, as well as legal and other consulting fees relating to the PharmHouse CCAA Proceedings referenced in “Corporate Developments – Investments – PharmHouse” herein.

Net Operating 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 $7,142 for the three months ended March 31, 2021, compared with a net operating loss (before equity method investees and fair value changes) of $895 for the same period last year.

Net operating loss (before equity method investees and fair value changes) was $14,887 for the twelve months ended March 31, 2021, compared with $7,381 for the same period last year.

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

Share of loss from equity method investees was $47 for the three months ended March 31, 2021, compared with a share of loss of $3,198 for the same period last year. As noted in the Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. Greenhouse Juice, 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 March 31, 2021. Canapar, Herbert, High Beauty, Leaflink International, PharmHouse, and Radicle represented the Company’s equity method investees for which a share of loss was recognized for the three months ended March 31, 2020. 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 9 in the Consolidated Financial Statements for additional information on the operating results and financial position of the Company’s equity method investees.

On a regular basis, the Company assesses its investments in associates and joint venture for indicators of impairment. In circumstances where indicators of impairment are present, the Company will test the investment as a whole to determine if there is an impairment loss that should be recognized based on the difference between the recoverable amount and carrying amount of a particular investment. During the three and twelve months ended March 31, 2021, no impairment loss was recognized on the Company’s investment in associates and joint venture. For the three and twelve months ended March 31, 2020, as a result of challenges experienced by certain Investees, which were exacerbated by the economic impact of the COVID-19 pandemic, impairment charges of $11,162 were recognized. Specifically, the Company recognized impairment charges of $8,176 on its investment in Canapar common shares, $1,862 on its investment in High Beauty preferred shares, and $1,124 on its investment in Herbert preferred shares.

The net change in fair value of financial assets at FVTPL was a decrease of $19,810 for the three months ended March 31, 2021, compared with a decrease of $16,311 for the same period last year. For the three months ended March 31, 2021, the net decrease was primarily driven by the negative change in the fair value of the Company’s investments in the CGC common shares of $12,795 and TerrAscend Term Loan and TerrAscend Warrants II of $7,015, among other factors. For the three months ended March 31, 2020, the net decrease was primarily driven by the negative change in the fair value of the Company’s investments in the Agripharm royalty interest of $5,762, Canapar call option of $4,900, JWC royalty interest of $2,630, TerrAscend Term Loan of $1,970, Civilized convertible debenture of $1,350, and Radicle royalty interest of $1,039, partially offset by the positive change in the fair value of the Company’s investment in the Tweed Tree Lot royalty interest of $1,609, among other factors. Please refer to Notes 10 and 16 in the 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 $1,700 for the three months ended March 31, 2021, 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 March 31, 2021. Please refer to “Corporate Developments – Investments – PharmHouse” herein for additional information.

Provision for expected credit losses on the PharmHouse Guarantee was a recovery of $4,500 for the three months ended March 31, 2021, compared with no provision for the same period last year. The carrying value of the PharmHouse Guarantee on the Company’s consolidated statement of financial position as at March 31, 2021, was estimated based upon the PharmHouse Recoverability Assessment and represents the difference between the estimated recoverable amount of PharmHouse en bloc and the principal amount owing pursuant to the PharmHouse Credit Facility 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 $37,917 for the twelve months ended March 31, 2021, compared with a share of loss of $6,155 for the same period last year. As noted in the Consolidated Financial Statements, the Company elects to account for its equity method investees one quarter in arrears. Canapar, Herbert, High Beauty, Greenhouse Juice, LeafLink International, PharmHouse, and Radicle represented the Company’s equity method investees for which a share of income or loss was recognized for the twelve months ended March 31, 2021. The Company’s share of loss from PharmHouse of $37,025 for the twelve months ended March 31, 2021, compared to $2,253 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, excluding Greenhouse Juice, represented the Company’s equity method investees for which a share of income or loss was recognized for the twelve months ended March 31, 2020. As noted above, please refer to Note 9 in the Consolidated Financial Statements for additional information on the operating results and financial position of the Company’s equity method investees.

As noted above, the Company reported no impairment charges for the twelve months ended March 31, 2021, compared with impairment charges of $11,162 for the same period last year.

The net change in fair value of financial assets at FVTPL was a decrease of $16,444 for the twelve months ended March 31, 2021, compared with a decrease of $17,259 for the same period last year. For the twelve months ended March 31, 2021, the net decrease was primarily driven by the negative change in the fair value of the Company’s investments in the CGC common shares of $12,795, Agripharm royalty interest of $7,500, Greenhouse Juice secured and unsecured convertible debentures and warrants of $3,970, Civilized convertible debenture of $2,100, and Canapar call option of $1,100, partially offset by the positive change in the fair value of the Company’s investments in the TerrAscend Term Loan and TerrAscend Warrants II of $8,075, and the Vert Mirabel preferred shares of $2,450, among other factors. For the twelve months ended March 31, 2020, the net decrease was primarily driven by the negative change in the fair value of the Company’s investments in the Canapar call option of $6,400, Agripharm repayable debenture and royalty interest of $5,655, Civilized convertible debenture and warrants of $3,659, TerrAscend Term Loan of $2,982, JWC royalty interest of $2,644, and Radicle royalty interest of $1,064, partially offset by the positive change in the fair value of the Company’s investments in the Vert Mirabel preferred shares of $3,006, Greenhouse Juice secured convertible debenture of $1,647, and Tweed Tree Lot royalty interest of $1,600, among other factors. As noted above, please refer to Notes 10 and 16 in the 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 $53,656 for the twelve months ended March 31, 2021, 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 $28,000 for the twelve months ended March 31, 2021, compared with no provision for the same period last year. As noted above, the carrying value of the PharmHouse Guarantee on the Company’s consolidated statement of financial position as at March 31, 2021, was estimated based upon the PharmHouse Recoverability Assessment and represents the difference between the estimated recoverable amount of PharmHouse en bloc and the principal amount owing pursuant to the PharmHouse Credit Facility 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 $24,199 for the three months ended March 31, 2021, compared with $31,566 for the same period last year.

Net operating loss was $150,442 for the twelve months ended March 31, 2021, compared with $41,957 for the same period last year.

Comprehensive Income (Loss)

The Company reported total comprehensive income of $64,846 for the three months ended March 31, 2021, compared with a total comprehensive loss of $36,795 for the same period last year.

Net loss was $21,478 for the three months ended March 31, 2021, compared with a net loss of $30,515 for the same period last year. Included in net loss is income tax recovery of $2,599 and $1,256 for the three months ended March 31, 2021 and 2020, respectively.

The net change in fair value of financial assets at FVTOCI was an increase of $86,324 (net of tax of $15,727) for the three months ended March 31, 2021, compared with a decrease of $6,280 (net of tax recovery of $609) for the same period last year. For the three months ended March 31, 2021, 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 $109,412, partially offset by the negative change in the fair value of the Company's investment in Vert Mirabel common shares of $7,629, among other factors. For the three months ended March 31, 2020, 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 $5,500 and JWC common shares of $2,714, among other factors. Please refer to Notes 11 and 16 in the 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 $67,321 for the twelve months ended March 31, 2021, compared with a total comprehensive loss of $118,126 for the same period last year.

Net loss was $133,880 for the twelve months ended March 31, 2021, compared with a net loss of $40,566 for the same period last year. Income tax recovery of $18,474 and $51 were recognized for the twelve months ended March 31, 2021 and 2020, respectively.

The net change in fair value of financial assets at FVTOCI was an increase of $201,201 (net of tax of $33,475) for the twelve months ended March 31, 2021, compared with a decrease of $77,560 (net of tax recovery of $9,959) for the same period last year. For the twelve months ended March 31, 2021, 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 $247,912, partially offset by the negative change in the fair value of the Company's investment in Vert Mirabel common shares of $11,029, as well as foreign exchange losses on the Company's investment in Zeakal preferred shares of $1,600, among other factors. For the twelve months ended March 31, 2020, 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 $56,500, Vert Mirabel common shares of $14,586, JWC common shares of $12,803, Nova Cannabis common shares of $2,721, and Eureka common shares of $2,020. As noted above, please refer to Notes 11 and 16 in the 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 $8,093 for the twelve months ended March 31, 2021, compared with net cash used of $7,666 for the same period last year. Net loss for the twelve months ended March 31, 2021, was $133,880 and included numerous non-cash items, including, among other items, the Company's provision for expected credit losses on loans receivable of $53,656, share of loss from of equity method investees of $37,917, provision for expected credit losses on the PharmHouse Guarantee of $28,000, income tax recovery of $18,474, net decrease in the fair value of financial assets at FVTPL of $16,444, and the Company's provision for expected credit losses on interest and royalty receivables of $12,812. For the twelve months ended March 31, 2020, the Company reported net loss of $40,566, which included numerous non-cash items, including, among other items, the net decrease in fair value of financial assets and liabilities at FVTPL of $17,259, impairment of equity method investees of $11,162, share-based compensation of $9,033, and the Company's share of loss from equity method investees of $6,155. Net cash used in operating activities for the twelve months ended March 31, 2020, also reflects a working capital investment of $9,658.

Cash Flows Provided by (Used in) Investing Activities

Net cash provided by investing activities was $88,232 for the twelve months ended March 31, 2021, compared with net cash used in investing activities of $50,755 for the same period last year. During the twelve months ended March 31, 2021, as described in “Corporate Developments – CGC Transaction” herein, the Company received cash consideration of $118,387 from CGC and Bertrand upon closing of the CGC Transaction in exchange for the TerrAscend Exchangeable Shares, TerrAscend Term Loan and TerrAscend Warrants II, Vert Mirabel preferred shares, and Vert Mirabel common shares, as well as the termination of the Tweed Tree Lot royalty interest. The Company also made a new investment in Dynaleo ($2,000), and follow-on investments in PharmHouse ($11,206), Headset ($1,080), Greenhouse Juice ($1,000), and BioLumic ($668). Included in cash flows used in investing activities is an outflow related to the First Guarantee Payment of $25,000, as well as an inflow of $7,000 related to the disposition of the Canapar common shares. During the twelve months ended March 31, 2020, the Company advanced funds pursuant to pre-existing agreements with Agripharm ($8,000), Greenhouse Juice ($3,000), and Tweed Tree Lot ($13,500); purchased additional common shares and exercised warrants in JWC ($1,120); completed follow-on investments in the Civilized convertible debenture ($120) and Headset preferred shares ($194); advanced additional funds to PharmHouse via the secured demand promissory note ($2,450) and Radicle via the convertible debenture and warrants ($1,000); and made new investments in BioLumic ($2,024), High Beauty ($4,344), TerrAscend Canada ($13,243), and ZeaKal ($13,487). Net cash used in investing activities for the twelve months ended March 31, 2020, 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 Provided by Financing Activities

Net cash provided by financing activities was $1,019 for the twelve months ended March 31, 2021, compared with $962 for the same period last year. During the twelve months ended March 31, 2021, net cash provided by financing activities was primarily attributable to the proceeds from the exercise of outstanding stock options of $1,500, partially offset by the repurchase of shares pursuant to the Company’s NCIB for $307 and the payment of lease principal of $174. During the twelve months ended March 31, 2020, net cash provided by financing activities was primarily attributable to the proceeds from the exercise of outstanding stock options of $1,122, partially offset by the payment of lease principal of $160.

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.

	FQ4 2021	FQ3 2021	FQ2 2021	FQ1 2021	FQ4 2020	FQ3 2020	FQ2 2020	FQ1 2020
Summary Operating Results[1]								
Operating income (loss)[2]	$ 748	$ 3,003	$ (5,795)	$ 2,662	$ 2,589	$ 5,021	$ 2,171	$ 2,141
Operating expenses	7,890	3,390	1,555	2,669	3,484	3,860	6,192	5,767
Equity method investees and fair value changes[3]	(19,857)	4,524	(3,604)	(2,355)	(30,671)	(3,208)	(1,241)	544
PharmHouse-related charges[4]	2,800	(13,700)	(103,363)	-	-	-	-	-
Net operating loss	(24,199)	(9,563)	(114,317)	(2,362)	(31,566)	(2,047)	(5,262)	(3,082)
Net income (loss)	(21,478)	1,406	(110,381)	(3,426)	(30,515)	(2,679)	(4,406)	(2,966)
Other comprehensive income (loss) (net of tax)	86,324	80,759	23,417	10,701	(6,280)	(37,244)	(28,252)	(5,784)
Total comprehensive income (loss)	64,846	82,165	(86,964)	7,275	(36,795)	(39,923)	(32,658)	(8,750)
Basic EPS	$ (0.13)	$ 0.01	$ (0.58)	$ (0.02)	$ (0.16)	$ (0.01)	$ (0.02)	$ (0.02)
Diluted EPS	$ (0.13)	$ 0.01	$ (0.58)	$ (0.02)	$ (0.16)	$ (0.01)	$ (0.02)	$ (0.02)

(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, which is reflected in “PharmHouse-related charges”.
(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.

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 AIF, and the section entitled “Risk Factors” in the CGC Transaction Circular 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 generate positive net cash flows or 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 twelve months ended March 31, 2021, the Company financed its operations and met its capital requirements primarily through proceeds raised from prior equity financings. As at March 31, 2021, working capital (calculated as the difference between the Company’s current assets and current liabilities on its consolidated statement of financial position) was approximately $108,093, primarily attributable to the Company’s cash balance of $127,882, and partially offset by the Company’s $17,538 income tax payable, which primarily relates to the tax consequences of the CGC Transaction.

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, and its ability to generate positive operating net cash flows from dividends and interest has been negatively impacted by the recent developments outlined in “Corporate Developments – Investments – PharmHouse” herein, the Company’s liquidity position has been strengthened by the CGC Transaction. Furthermore, if required, the Company believes that it may be able to further strengthen its financial position with future equity financings, the divestment of certain investments, or other liquidity events. The Company believes that it currently has enough cash available to achieve its current business plans and objectives.

The Company may face certain liquidity risks if it is unable to generate sufficient cash to fund its ongoing requirements and obligations, and is unable to raise funds through debt or equity to account for its commitments. 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 net cash flow to achieve its business plans and objectives.

The Company’s principal capital needs relate to the following business plans and objectives: investing in new global cannabis opportunities, including investments in, or acquisitions of, established operating businesses in the U.S.

cannabis market; financing commitments to, and potentially making follow-on investments in, existing Investees; and satisfying working capital, as well as for general corporate purposes.

As at March 31, 2021, the Company's contractual commitments to its Investees were as follows:

Investee	Committed Funds	Timing
Greenhouse Juice	$1,000 [(1)]	Expected in fiscal year ("FY") 2022

(1) The Company had committed to purchase up to $1,000 of preferred shares of Greenhouse Juice at a price of $1.08 per share in the event that Greenhouse Juice attains $12,000 of revenue in any preceding twelve-month period.

In addition to the aforementioned contractual commitments, 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. 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. Based on the PharmHouse Recoverability Assessment, the Company has estimated that, upon termination of the CCAA Proceedings and the associated distribution of remaining cash at PharmHouse, the Company's total losses as a result of the PharmHouse Guarantee will be $28,000. During the twelve months ended March 31, 2021, the Company made the First Guarantee Payment, totalling $25,000, which reduced its estimated liability as at March 31, 2021, to $3,000. As of the date of this MD&A, the Company has no remaining contractual obligation under the PharmHouse Credit Facility. Please refer to "Subsequent Events" for additional details on the PharmHouse Credit Facility.

As at March 31, 2021, the Company had the following obligations (excluding obligations under the PharmHouse Guarantee):

	Payments Due by Period				
Financial Obligations	**Total**	**< 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**>5 Years**
Accounts payable and accrued liabilities	$ 2,944	$ 2,944	$ -	$ -	$ -
Income tax payable	17,538	17,538	-	-	-
Lease liability	893	346	547	-	-
Contractual commitments to Investees	1,000	1,000	-	-	-
Total financial obligations	**$ 22,375**	**$ 21,828**	**$ 547**	**$ -**	**$ -**

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 the section entitled "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 16 of the 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 certain Investees with foreign operations. Consequently, fluctuations in the Canadian dollar exchange rate against the U.S. dollar 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.

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 arises from the Company's interest and royalty receivables, as well as the principal amounts owing to the Company under the terms of any 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 twelve months ended March 31, 2021, and subsequently wrote off the full loan and interest receivable balances during the period.

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 twelve months ended March 31, 2021. Furthermore, as of the date of this MD&A, Radicle is more than 90 days past due on certain royalty and interest payments owing to the Company.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2021, 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. Together, these individuals, controlled approximately 3.1% of the issued and outstanding Common Shares on a fully diluted basis as of March 31, 2021. Compensation provided to key management personnel includes share-based compensation, executive salaries and bonuses, director fees (excluding share-based compensation), and special committee fees. For the three months ended March 31, 2021 and 2020, share-based compensation was $364 and $879, respectively; executive salaries and bonuses were $984 and $308, respectively; director fees (excluding share-based compensation) were $44 and $55, respectively; and special committee fees were $106 and $nil, respectively. For the twelve months ended March 31, 2021 and 2020, share-based compensation was $1,536 and $3,503, respectively; executive salaries and bonuses were $1,878 and $1,307, respectively; director fees (excluding share-based compensation) were $156 and $230, respectively; and special committee fees were $237 and $nil, respectively.

Transactions with CGC: Prior to February 23, 2021, the Company was controlled by CGC. The CGC Transaction constituted a "related party transaction" (as defined in Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*) because the Company transacted with CGC, its controlling shareholder. Following the closing of the CGC Transaction, CGC no longer has any equity, debt, or other material outstanding balances with the Company. Please refer to “Corporate Developments – CGC Transaction” herein and Note 5 in the Consolidated Financial Statements for additional details on the CGC Transaction.

Transactions with other related parties: Transactions and balances with the Company’s associates and joint venture are described and discussed in the Consolidated Financial Statements. The PharmHouse secured demand promissory note described in Note 6 in the 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 had 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 were in the normal course of operations and were entered into at market terms.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the 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.

Fair value measurement and valuation process

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

In certain limited circumstances, the Company may consider cost to be an appropriate estimate of the fair value of an investment in equity instruments, such as when more recent information is not available or insufficient to measure fair value, or there is a wide range of possible fair value measurements and cost represents the best estimate within that range. The Company uses 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 6 in the Consolidated Financial Statements is based upon the net proceeds expected to be received pursuant to the PharmHouse Asset Purchase Agreement, as well as the forecasted cash available for distribution upon termination of the CCAA Proceedings. The Company's financial guarantee liability in respect of the PharmHouse Guarantee was estimated to be $3,000 as at March 31, 2021, based upon the estimated recoverable amount of PharmHouse en bloc of $62,000 and the outstanding principal amount pursuant to the PharmHouse Credit Facility of $65,000. A significant decrease in the forecasted cash available for distribution upon termination of the CCAA Proceedings below that estimated in the PharmHouse Recoverability Assessment will expose the Company to the risk of additional losses due to the PharmHouse Guarantee.

Please refer to Note 16 in the 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, as follows:

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. Please refer to Note 9 in the Consolidated Financial Statements for more information on the Company's impairment analysis regarding its investment in associates and joint ventures.

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 13 in the Consolidated Financial Statements for more information on the Company's measurement of share-based payments.

CHANGES IN ACCOUNTING POLICIES

The significant accounting policies used in preparing the Consolidated Financial Statements have been applied consistently to all periods presented in the Consolidated Financial Statements.

The following new interpretations and amendments have been issued and are applicable for annual periods beginning on or after April 1, 2021. The list includes standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective, and does not expect the standards to have a material impact on the consolidated financial statements.

Amendments to IAS 37, Onerous Contracts

In May 2020, the IASB issued 'Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

IFRS 3, Business Combinations

The IASB has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual periods beginning on or after January 1, 2022.

There are no other new standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Company.

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 and operating effectiveness of the Company's DC&P as at March 31, 2021. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these DC&P were effective as at March 31, 2021, to provide reasonable assurance that the information required to be disclosed in the Company's annual filings, 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 and operating effectiveness of the Company's ICFR as at March 31, 2021. Based on that evaluation, the CEO and CFO concluded that the design and operation of ICFR was effective as at March 31, 2021, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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 twelve months ended March 31, 2021, 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 Common Shares. As at March 31, 2021, and June 2, 2021, the Company had the following securities issued and outstanding:

	As at March 31, 2021	As at June 2, 2021
Common Shares	142,084,523	142,435,137
Stock Options	8,856,334	8,623,001
RSUs	353,030	353,030
PSUs	880,000	919,996

Stock options outstanding as at March 31, 2021, are comprised of the following (as described in Note 13(c) in the 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;
- 4,770,001 options issued to consultants of the Company and employees of CGC, with exercise prices ranging between $0.60 and $3.50; and
- 4,052,999 options issued to employees and directors of the Company, with exercise prices ranging between $1.10 and $4.50.

Restricted Stock Units ("RSUs") outstanding as at March 31, 2021, are redeemable pursuant to the Company's share unit plan for non-employee directors as described in Note 13(e) in the Consolidated Financial Statements.

Performance Share Units ("PSUs") outstanding as at March 31, 2021, are redeemable pursuant to the Company's long term inceptive plan ("LTIP") for employees of the Company as described in Note 13(f) in the Consolidated Financial Statements. The number of granted PSUs eligible to vest may be adjusted upwards based on the increase, if any, in the Common Share price between the grant date and the vesting date, subject to a maximum adjustment of 100%.

SUBSEQUENT EVENTS

Developments since March 31, 2021

Between April 1, 2021, and June 2, 2021, the Company sold 3,565,402 common shares of CGC for total net proceeds of $106,707. As at June 2, 2021, the Company no longer owns any CGC common shares.

Between April 28, 2021, and May 6, 2021, the Company sold 593,000 common shares of Nova Cannabis for total net proceeds of $1,446. The Company no longer owns any Nova Cannabis common shares.

On May 14, 2021, PharmHouse, through its SISP, closed the sale of its greenhouse facility pursuant to the PharmHouse Asset Purchase Agreement (the "PharmHouse Sale"). Concurrent with the closing of the PharmHouse Sale, the Company made a payment of $7,535 to the Lenders (the "Second Guarantee Payment"). The Second Guarantee Payment, when combined with the net proceeds received from the PharmHouse Sale and the First Guarantee Payment, among other items, satisfied all obligations outstanding pursuant to the PharmHouse Credit Facility. The PharmHouse Credit Facility has now been terminated and cancelled. The Company is entitled to any cash available for distribution upon the termination of the CCAA Proceedings.

On June 2, 2021, the Company closed a definitive purchase and sale agreement with Tweed Tree Lot for the sale of a property located in Fredericton, New Brunswick, in exchange for a cash payment of $4,000. With the sale of the property, the lease agreement has been terminated and the Company no longer has any agreements with Tweed Tree Lot.

RISKS AND UNCERTAINTIES

There are several risk factors that could cause the Company's actual results, performance, and achievements to differ materially from those described herein. If any of these risks occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly. Such risk factors include, but are not limited to, the

following risk factors as well as those listed under the heading "Risk Factors" in the Company's AIF and in the section entitled "Risk Factors" in the CGC Transaction Circular, 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 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 pursuant to the PharmHouse Credit Facility. 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 Common 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. Additionally, the Company and/or the Investee may be subject to judgements or enter into settlements of claims for significant monetary damages. 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.

Cannabis is a Controlled Substance in the U.S.

As the Company is considering potential investments in, or acquisitions of, operating businesses in the U.S. cannabis market, the Company may be directly or indirectly associated with the cultivation, processing or distribution of cannabis in the U.S. Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act, in the U.S., cannabis is regulated differently at the federal and state level. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis continues to be categorized as a Schedule I controlled substance under the CSA, making it illegal under federal law in the U.S. to cultivate, distribute, or possess cannabis. This means that while state law in certain U.S. states may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens of those states for activity that is legal under state law.

Unless and until the United States Congress amends the CSA with respect to cannabis (and there can be no assurances as to the timing or scope of any such potential amendments), there is a risk that federal authorities may enforce current U.S. federal law, including in respect of the cultivation, distribution, sale and possession of cannabis. While state law in certain U.S. states may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against individuals and companies operating in those states for activity that is legal under state law. If the Department of Justice opted to pursue a policy of aggressively enforcing U.S. federal law against financiers or equity owners of cannabis-related businesses, then the Company and its Investees could face (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers and/or investors, who could face charges

of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Under such an aggressive enforcement policy, the Department of Justice could allege tat the Company and the Board and, potentially the Company's shareholders, "aided and abetted" violations of federal law by providing finances and services to the Company or certain of its investees. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company or its investees, and to recover "the illicit profits" previously distributed to the Company or, if the Company has paid dividends, the shareholders who received such dividends, resulting from any of the foregoing financing or services. In these circumstances, the Company's shareholders may lose their entire investment and directors, officers and/or the Company's shareholders may be required to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

In addition, operating or investing in the U.S. cannabis industry may breach existing contractual covenants the Company has with any banking institutions, suppliers or other third parties. In such circumstances, the Company would be required to amend the terms of or replace such agreements and enter into alternative arrangements. Any violation of the terms of such contractual covenants and the failure to enter into appropriate alternative arrangements would result in a breach of the applicable agreement, and accordingly, may have a material adverse effect on the business, operations, and financial condition of the Company.

Potential Delisting from TSX

As the Company remains listed on the TSX, the Company is prohibited from investing in, or acquiring, operating businesses in the U.S. cannabis market until a change in U.S. federal law occurs or the Company de-lists from the TSX and lists on an alternative exchange that does not prohibit investments in U.S. cannabis businesses. While the Company may de-list from the TSX and list on another exchange, there is no assurance that the Company can satisfy the conditions required to de-list from the TSX or list on an alternative stock exchange, or when such de-listing or listing could occur. Unless the Company can de-list from the TSX and list on an alternative stock exchange, it will be hindered in pursuing U.S. investment or acquisition opportunities.

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.

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 Common 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 may be 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 net cash flow or earnings.

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 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 continuing to evolve 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 economic uncertainty that has caused, 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 Common 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 Common Share Price

The market price of the Common 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 Common Shares. Continued volatility of the market price of the Common 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 Common 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 Common Shares, harm the Company's ability to raise capital, and jeopardize the Company's listing on the TSX. Delisting of the Common Shares would reduce the market liquidity of the Common Shares, which would increase the volatility of the price of the Common 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 Common 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 Common 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.

Taxes

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

It is not known or determinable by the Company when any audits or reassessment by the Canada Revenue Agency of transactions will be initiated or issued, or the basis, quantum or timing of any such reassessments, and it is therefore not practicable for the Company to estimate the financial effect, if any, of any ongoing audits. From time to time there may also be proposed legislative changes to law or outstanding legal actions that may have an impact on applicable law or jurisprudence, the outcome, applicability and impact of which is also not known or determinable by the Company, but which may have a material adverse effect on the Company or the price of the Common Shares.

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 enter into hedging arrangements. 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 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 twelve months ended March 31, 2021. 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 Common 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.