



RIV CAPITAL

RIV CAPITAL INC.

ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2023

DATED: June 14, 2023

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EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

Explanatory Notes

All financial information in this AIF is prepared using IFRS. Information contained in this AIF is given as of March 31, 2023, unless otherwise stated.

Market and industry data used throughout this AIF was 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 completeness or accuracy of such information.

This AIF should be read in conjunction with the Company's audited consolidated financial statements for the financial years ended March 31, 2023 and 2022, and the management's discussion and analysis for the three months and years ended March 31, 2023 and 2022, which are available under the Company's profile on SEDAR at www.sedar.com.

Trademarks, Trade Names and Copyrights

This AIF includes trademarks, trade names, and material subject to copyright, which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the Company's trademarks, trade names, and copyrighted material referred to in this AIF may appear without the TM, ® or © symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks, trade names, and copyrights. All other trademarks used in this AIF are the property of their respective owners.

Caution Regarding Forward-Looking Information

This AIF contains certain "forward-looking information" within the meaning of applicable Canadian securities laws. All information, other than statements of historical fact, included in this AIF that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's and Investees' (as defined herein) businesses, operations, plans and other matters, is forward-looking information. To the extent any forward-looking information in this AIF 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 Company's expectations regarding being considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice (as defined herein); the Company's expectation regarding the reliability of independent sources of market and industry data; the strategy, objectives and plans of the Company, Etain and the Investees; the success of the Company's investment activities; international market opportunities and the Company's ability to enter and participate in such opportunities; the market for the current and proposed product offerings of the Investees and Etain; the anticipated cash flows from Etain and certain Investees; the capital needs of Etain and the Investees and potential additional investments by the Company in Investees; the anticipated business and operations expansion plans for the Company, Etain and certain Investees; expectations for other economic, business, regulatory and/or competitive factors related to the Company, Etain, the Investees or the cannabis industry generally; the evolution of cannabis markets globally and the potential for global investment opportunities to arise; the Company's expectations regarding legislation, regulations, and licensing related to various cannabis markets and product offerings; the potential time frame for the implementation of legislation and related regulations regarding the production, sale, and use of hemp and hemp-derived products 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 internationally, 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. or various international jurisdictions, as applicable; the Company's expectations regarding recent regulatory and legislative changes in the

U.S., including but not limited to, President Biden's recently announced marijuana-related initiatives, the CCB's (as defined herein) proposed regulations for the New York adult-use cannabis market, and licensing application forms and guidance for the initial CAURDs (as defined herein); the Company's expectations regarding the number and types of adult-use and medical cannabis licenses that may be issued by the CCB (as defined herein) and the impact that such licenses awards may have on the Company's expectations, business, and strategy; the Company's expectations with respect to the SAFE Banking Act (as defined herein); the impact of legislative changes related to cannabis on the ability of the Company to further invest or hold interests in other entities in the U.S. or any other jurisdiction; the size and roll out of the medical and adult-use cannabis markets in various jurisdictions; the Company's expectations regarding the anticipated benefits of its strategic partnership with ScottsMiracle-Gro (as defined herein); the Company's expectations regarding the U.S. cannabis market; the Company's expectation regarding opportunities created by the current political and regulatory conditions in the U.S.; the Company's expectation regarding sales trends resulting from medical and adult-use program being adopted in U.S. states; the Company's expectation regarding the changing political environment in the U.S.; the Company's expectations regarding the uncertainty and constraints faced by other U.S. cannabis market participants, including the ability to access capital; the Company's expectations regarding its ability to grow in the U.S. cannabis market, including growth resulting from the CGC Transaction (as defined herein), the Hawthorne Investments (as defined herein), and the Etain Acquisition (as defined herein); the Company's expectations regarding the strength of its balance sheet and its knowledge of the U.S. cannabis landscape, including the ability of such knowledge and the strength of the balance sheet to allow the Company to grow in the U.S. cannabis market; the Company's expectations and plans surrounding the shift in its strategic focus to the U.S. cannabis market; the Company's expectations of the anticipated benefits of the Etain Acquisition (as defined herein) and strategic rationale for acquiring Etain (as defined herein), including expectations regarding legal cannabis market opportunities in New York, the benefits of the New York cannabis market and the value of New York cannabis licenses; the Company's expectations regarding the impairment of the Etain CGU (as defined herein) and whether additional impairment testing and further impairment charges will or will not occur in the future; the impact of recent developments in the New York cannabis market, including the impact of such developments on New York cannabis license holders, the purchase price paid in the Etain Acquisition, and market perceptions of the value of New York cannabis licenses; the Company's expectations regarding the launch of adult-use sales in the state of New York; the Company's expectations regarding Etain's business, including its market share, sales, brand, products and locations; the Company's expectations with respect to the expansion of Etain LLC's (as defined herein) Chestertown facility, and the impact of the expansion on the existing cultivation and production footprint; the anticipated demand of the adult-use cannabis market in New York; Etain LLC's ability to evaluate new product formats to meet the demands of the evolving cannabis market; the Company's expectations regarding its competitive advantage in respect of its liquidity and available capital, including having sufficient capital to execute its business plan in New York and invest in opportunities throughout the U.S. cannabis market; the Company's intention to develop a flagship facility in upstate New York and expectations related thereto, including timing for completion thereof and expectations related to the Zephyr Lease (as defined herein) and related accounting treatment; estimates with respect to the Company's commitment to fund certain construction costs pursuant to the Zephyr Lease; the Company's expectations regarding its capital investments in Etain's New York cannabis operation; the ability of the Company to achieve its growth objectives in a capitally efficient manner; the Company's expectations regarding the proposed fees that Etain LLC may be required to pay to the OCM (as defined herein) to operate in New York State's adult-use cannabis market; the expansion of Etain LLC's retail footprint; the Company's expectations regarding its shareholders, including maximizing shareholder value; expectations regarding the migration of Canadian cannabis consumers to the legal market upon the introduction of new products; future expenditures and capital activities; the competitive landscape in which the Company, Etain and the Investees operate; the potential impact of infectious diseases, including the COVID-19 pandemic; the anticipated benefits of the change in the Company's presentation currency to U.S. dollars; significant deficiencies identified in the internal control over financial reporting of Etain LLC and the remediation thereof; the Company's expectations regarding the effectiveness of remedies to significant deficiencies, including their ability to fully remediate such deficiencies; the Company's expectations that the tax attributes related to goodwill and intangible assets acquired in the Etain Acquisition will be subject to IRC Section 280E (as defined herein); and other general economic trends on the Company, Etain and the Investees; and other events or conditions that may occur in the future.

Investors are cautioned that forward-looking information is not based on historical fact but instead is based on the reasonable assumptions and estimates of management of the Company at the time they were made and involve known and unknown risks, uncertainties and other factors which 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, business strategy and growth-related

risk; cannabis is a controlled substance in the U.S.; risks associated with accessing commercial banking services and third-party service providers; risks associated with contractual arrangements with Etain LLC; acquisition and integration risks; risks associated with being a holding company; ability to identify investments; risks inherent in strategic alliances and investments; risks associated with investing in or acquiring U.S. cannabis businesses; heightened scrutiny by Canadian authorities; volatility of the Common Share price; competition risks; no control over operations of Investees; additional financing risk; difficulty reselling Common Shares; risks associated with U.S. cannabis regulatory requirements; compliance with laws; changes in cannabis laws, regulations and guidelines; access to public and private capital; conflicts of interest; restrictions on the use of proceeds from investments from The Hawthorne Collective (as defined herein) under its “top-up” option under the Initial Note Purchase Agreement (as defined herein); covenants under the Hawthorne Investments; risks associated with the strategic partnership with The Hawthorne Collective; the risks of a significant shareholder; the risks associated with The Hawthorne Collective exercising significant control; risks associated with potential business opportunities presented by The Hawthorne Collective; risks associated with the conversion of the Convertible Notes; risks of loss of foreign private issuer status; insurance risks; litigation risks; currency exchange rate fluctuations; expansion into foreign jurisdictions; limited operating history; difficulty to forecast; cannabis prices; challenging global financial conditions; unknown defects and impairments; risks associated with divestment and restructuring; infectious diseases, including the COVID-19 pandemic; 2018 Farm Bill risks; dependence upon key personnel; risks associated with financial institutions and associated liquidity risk; risks associated with material contracts; lack of access to U.S. bankruptcy protections; intellectual property risks; credit and liquidity risk; security over underlying assets; internal controls; reputational risk; catastrophic events, natural disasters, severe weather and disease; risks associated with the Etain Acquisition; equity price risk; anti-money laundering laws and regulation risks; anti-bribery law violations; enforcement of judgements against non-Canadian directors and officers; cybersecurity and privacy risks; risk of entry bans into the U.S.; hedging risk; PFIC classification; dividend policy; restrictions on the acquisition or use of properties by foreign investors; tax risks, including those related to controlled substances; effect of general economic and political conditions; risks related to the Company as a holding company; reliance of certain Investees and Etain on licenses; failure of certain Investees and Etain to obtain or maintain necessary licences; operating risks for the Investees and Etain; increased operational, regulatory and other risks; competitive conditions for the Investees and Etain; reliance on Investee and Etain facilities; governmental regulations; compatibility of existing technologies in cannabis; testing and trials for certain Investees’ and Etain’s products; operations in emerging markets; ability to forecast certain Investees’ production; the ability of the Investees and Etain to acquire customers; constraints on the Investees’ and Etain’s ability to market products; risks inherent in an agricultural business; wholesale price volatility; risks regarding vaping products; product recalls by Investees or Etain; product liability risks for the Investees and Etain; slow acceptance of Investee or Etain products; environmental and employee health and safety regulations; reliance of certain Investees and Etain on key inputs; dependence of the Investees and Etain on suppliers and skilled labour; research and development; rapid technological change; inflation; corruption and fraud risk; vulnerability to rising energy costs; and transportation risks associated with the delivery of certain Investees’ and Etain’s products.

Risks relating to the Company, Etain and the Investees are discussed under the heading “*Risk Factors*”. 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 not to 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 AIF, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Currency and Exchange Rate Information

This AIF contains references to both U.S. dollars, referred to herein as “\$” and Canadian dollars, referred to herein as “C\$”.

The following table sets forth, for each period indicated, the high and low exchange rates, the average exchange rate, and the exchange rate at the end of the period, based on the rate of exchange of one United States dollar in exchange for Canadian dollars published by the Bank of Canada.

	Year ended March 31		
	2023	2022	2021
High	C\$0.7217	C\$0.7727	C\$0.7034
Low	C\$0.8031	C\$0.7977	C\$0.7565
Average	C\$0.7559	C\$0.8306	C\$0.8029
Closing	C\$0.7389	C\$0.8003	C\$0.7952

As of the date of this AIF, the closing daily exchange rate as reported by the Bank of Canada was \$1.00 = C\$0.752 or C\$1.00 = \$1.3297.

GLOSSARY OF CERTAIN TERMS

The following terms are used in this document:

“**2018 Farm Bill**” means the Agricultural Improvement Act of 2018, Pub. L. 115-334;

“**Additional Hawthorne Investment**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Additional Note Purchase Agreement**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Agripharm**” means Agripharm Corp., a corporation existing under the laws of the Province of Ontario;

“**AIF**” means this annual information form;

“**AIM2**” means the Company, prior to the Qualifying Transaction;

“**AIM2 Common Shares**” means the common shares in the capital of AIM2;

“**Allgro**” has the meaning ascribed thereto under the heading “*Corporate Structure – Intercorporate Relationships*”;

“**All other fees**” has the meaning ascribed thereto under the heading “*Audit Committee Information*”;

“**Audit Committee**” means the audit committee of the Board;

“**Audit fees**” has the meaning ascribed thereto under the heading “*Audit Committee Information*”;

“**Audit related fees**” has the meaning ascribed thereto under the heading “*Audit Committee Information*”;

“**Beneficial Ownership**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Beneficial Ownership Requirement**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Bertrand**” means Les Serres Stéphane Bertrand Inc., a corporation existing under the laws of the Province of Quebec;

“**BioLumic**” means BioLumic Inc., a corporation existing under the laws of Delaware;

“**Blakes**” means Blake, Cassels & Graydon LLP;

“**Board**” means the board of directors of the Company;

“**Canapar**” means Canapar Corp., a corporation existing under the federal laws of Canada;

“**Cannabis Act**” means, collectively, the *Cannabis Act* (Canada) and the Cannabis Regulations;

“**Cannabis Regulations**” means the *Cannabis Regulations* promulgated under the Cannabis Act, as amended;

“**CBD**” means cannabidiol;

“**CBP**” means U.S. Customs and Border Protection;

“**CCA**” has the meaning ascribed thereto under the heading “*Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)*”;

“**CCAA**” means the *Companies’ Creditors Arrangement Act*;

“**CCAA Proceedings**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**CCB**” has the meaning ascribed thereto under the heading “*General Development of the Business – Recent Developments*”;

“**CDS**” has the meaning ascribed thereto under the heading “*Risk Factors*”;

“**CGC**” means Canopy Growth Corporation, a corporation existing under the federal laws of Canada;

“**CGC Shares**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**CGC Transaction**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**CGU**” means cash generating unit.

“**Civilized**” means Civilized Worldwide Inc., a corporation existing under the laws of the Province of New Brunswick;

“**Code**” has the meaning ascribed thereto under the heading “*Risk Factors*”;

“**Cole Memorandum**” has the meaning ascribed thereto under the heading “*Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)*”;

“**Common Shares**” means the Class A common shares in the capital of the Company;

“**Company**” means RIV Capital Inc. (formerly Canopy Rivers Inc.), a corporation existing under the laws of the Province of Ontario, and/or its subsidiaries, as applicable;

“**Compensation, Nominating and Governance Committee**” means the compensation, nominating and governance committee of the Board;

“**Conflicts Review Committee**” means the conflicts review committee of the Board;

“**Consolidation**” means the consolidation of the AIM2 Common Shares on the basis of the Consolidation Ratio;

“**Consolidation Ratio**” means the consolidation ratio of one post-Consolidation AIM2 Common Share for every 26.565 pre-Consolidation AIM2 Common Shares;

“**Convertible Note I**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Convertible Note II**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Convertible Notes**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“**COVID-19**” means SARS-CoV-2 virus and any variants thereof;

“**CRC PrivateCo**” means Canopy Rivers Corporation prior to the completion of the Qualifying Transaction, a corporation existing under the federal laws of Canada;

“**CSA**” means the U.S. Controlled Substances Act;

“**CSE**” means the Canadian Securities Exchange;

“**DC&P**” has the meaning ascribed thereto under the heading “*Risk Factors*”;

“**DEA**” means the U.S. Drug Enforcement Administration;

“**Deloitte**” means Deloitte LLP;

“**DIP**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**DIP Financing**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**Dual Class Voting Structure**” has the meaning ascribed thereto under the heading “*Corporate Structure – Name, Address and Incorporation*”;

“**Dynaleo**” means Dynaleo Inc., a corporation existing under the laws of the Province of British Columbia;

“**Dynaleo Debenture**” means the unsecured convertible debenture issued by Dynaleo to RCC on April 6, 2020;

“**Etain**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Etain Acquisition**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Etain Beneficial Ownership Requirement**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Etain CGU**” has the meaning ascribed under the heading “*Risk Factors*”

“**Etain Companies**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Etain Investors**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Etain Investors’ Nominee**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Etain Investors’ Observer**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Etain Investors’ Registrable Shares**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Etain Investor Rights Agreement**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Etain LLC**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Etain Purchase Agreements**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Equity Purchase Agreement**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended;

“**Exchangeable Shares**” means all the TerrAscend Shares held by RCC that were exchanged for new conditionally exchangeable shares in the capital of TerrAscend as part of the arrangement agreement dated October 8, 2018 between RCC and TerrAscend, among others;

“**FDA**” means the United States Food and Drug Administration;

“**FDCA**” means the United States Food, Drug and Cosmetics Act;

“**FDIC**” means the Federal Deposit Insurance Corporation;

“**Final PharmHouse Distribution**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**FinCEN**” means the Financial Crimes Enforcement Network of the United States Treasury Department;

“**FinCEN Memorandum**” means the memorandum issued by the FinCEN in February 2014 providing instructions to banks seeking to provide services to cannabis-related businesses;

“**Fiscal Year 2020**” means the year ended March 31, 2020;

“**Fiscal Year 2021**” means the year ended March 31, 2021;

“**Fiscal Year 2022**” means the year ended March 31, 2022;

“**Fiscal Year 2023**” means the year ended March 31, 2023;

“**forward-looking information**” means “forward-looking information” within the meaning of Canadian securities laws and “forward-looking statements” within the meaning of United States securities laws, collectively;

“**Fun Technologies**” has the meaning ascribed thereto under the heading “*Directors and Officers*”;

“**GRAS**” has the meaning ascribed thereto under the heading “*Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)*”;

“**Greenhouse Juice**” means 10831425 Canada Ltd. d/b/a Greenhouse Juice Company, a corporation existing under the federal laws of Canada;

“**Greenhouse Preferred Warrants**” means the preferred share purchase warrants in the capital of Greenhouse Juice;

“**Greenhouse Secured Debenture**” means the senior secured convertible debenture issued by Greenhouse Juice to RCC on January 14, 2019;

“**Greenhouse Unsecured Debenture**” means the unsecured debenture issued by Greenhouse Juice to RCC on January 14, 2019;

“**Group Representative**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Hawthorne Investments**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Hawthorne Investor Rights Agreement**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Hawthorne Nominee**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Headset**” means Headset, Inc., a Delaware corporation;

“**Herbert**” means 10663522 Canada Inc., a corporation existing under the federal laws of Canada, operating through its wholly-owned subsidiaries Herbert Works Ltd. and 11010131 Canada Inc.;

“**High Beauty**” means High Beauty, Inc., a Delaware corporation;

“**High Beauty Note**” means the senior secured promissory note issued by High Beauty to RCC on December 3, 2019, as amended;

“**ICFR**” has the meaning ascribed thereto under the heading “*Risk Factors*”;

“**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board;

“**Independent Directors**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Initial Designation Date**” means the earlier of (i) the date of the closing of the transactions contemplated by the Membership Interest Purchase Agreement, or (ii) the date of finalization of the management information circular for the Company’s 2022 annual general meeting of shareholders.

“**Initial Etain Closing**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Recent Developments*”;

“**Initial Hawthorne Investment**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Initial Nomination Date**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Initial Note Purchase Agreement**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Initial Order**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**Investees**” has the meaning ascribed thereto under the heading “*Description of the Business – Company Overview – Other Investments*”;

“**IRS**” has the meaning ascribed thereto under the heading “*Risk Factors*”;

“**IT**” means information technology;

“**JMA**” has the meaning ascribed thereto under the heading “*Directors and Officers*”;

“**JWAM**” means JW Asset Management, LLC;

“**JWAM Application**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2023*”;

“**JWAM Funds**” means certain funds managed by JWAM;

“**JWAM Shares**” has the meaning ascribed thereto under the heading “*Material Contracts – JWAM Settlement Agreement*”;

“**KPMG**” means KPMG LLP;

“**LeafLink International**” means LeafLink Services International ULC, a corporation existing under the laws of the Province of British Columbia;

“**Long Term Incentive Plan**” means the Company’s long term incentive plan for officers, employees and other eligible service providers of the Company, as approved by the Board on August 5, 2020 and by the shareholders of the Company on September 24, 2020;

“**Membership Interest Purchase Agreement**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Monitor**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**MNP**” means MNP LLP;

“**MOU**” has the meaning ascribed thereto under the heading “*Risk Factors*”;

“**MRTA**” has the meaning ascribed thereto under the heading “*Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)*”;

“**Multiple Voting Shares**” means the Class B common shares designated as multiple voting shares in the capital of the Company prior to the closing of the CGC Transaction;

“**New Claim**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*;

“**Nova Cannabis**” means Nova Cannabis Inc. (formerly YSS Corp.TM), a corporation existing under the laws of the Province of Alberta;

“**NOYA**” means, collectively, NOYA Holdings Inc. (formerly Radicle Cannabis Holdings Inc.), a corporation existing under the laws of the Province of Ontario, and its wholly owned subsidiary, NOYA Cannabis Inc. (formerly Radicle Medical Marijuana Inc.), a corporation existing under the laws of the Province of Ontario;

“**NYDOH**” has the meaning ascribed thereto under the heading “*Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)*”;

“**OBCA**” means the *Business Corporations Act* (Ontario);

“**OCM**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Recent Developments*”;

“**Option Plan**” means the Company’s amended and restated stock option plan, approved by shareholders of the Company on September 26, 2019;

“**Options**” means stock options issued by the Company pursuant to the Option Plan and the Long Term Incentive Plan;

“**PFIC**” means passive foreign investment company;

“**PharmHouse**” means PharmHouse Inc., a corporation existing under the federal laws of Canada;

“**PharmHouse Credit Agreement**” means the credit agreement dated January 7, 2019, between PharmHouse, the Company and Bank of Montreal, as administrative agent and as lead arranger and sole bookrunner, among others;

“**PharmHouse Credit Agreement Amendment**” means the third amendment to the PharmHouse Credit Agreement dated April 13, 2020, between PharmHouse, the Company and Bank of Montreal, as administrative agent and as lead arranger and sole bookrunner, among others;

“**PharmHouse Credit Facility**” means the committed, non-revolving credit facility with a maximum principal amount of C\$90,000,000 governed by the PharmHouse Credit Agreement, as amended by the PharmHouse Credit Agreement Amendment;

“**PharmHouse Majority Shareholder**” means 2615975 Ontario Inc., a corporation existing under the laws of the Province of Ontario;

“**PIPEDA**” means the *Personal Information Protection and Electronics Documents Act* (Canada);

“**PSU**” means a performance share unit issued by the Company, pursuant to the Long Term Incentive Plan;

“**Qualification Criteria**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Qualifying Transaction**” has the meaning ascribed thereto under the heading “*Corporate Structure – Name, Address and Incorporation*”;

“**RAMM**” means RAMM Pharma Corp., a corporation existing under the federal laws of Canada;

“**RCC**” refers to RIV Capital Corporation (formerly Canopy Rivers Corporation) following completion of the Qualifying Transaction, a corporation existing under the federal laws of Canada;

“**Registrable Shares**” has the meaning ascribed thereto under the heading “*Material Contracts*”;

“**Restricted Share Unit Plan**” means the Company’s Share Unit Plan for Non-Employee Directors, which was approved by the Board on March 18, 2020 and by the shareholders of the Company on September 24, 2020;

“**RO**” has the meaning ascribed thereto under the heading “*Description of Business – Company Overview – U.S. Cannabis Platform – New York: Etain*”

“**ROFR Shares**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**RSU**” means a restricted share unit issued by the Company pursuant to the Restricted Share Unit Plan;

“**SAFE Banking Act**” has the meaning ascribed thereto under the heading “*Overview of Industry – Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)*”;

“**ScottsMiracle-Gro**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**Second Etain Closing**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Recent Developments*”;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval;

“**September 2020 Claim**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**Sessions Memorandum**” has the meaning ascribed thereto under the heading “*Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)*”;

“**Settlement Agreement**” has the meaning ascribed thereto under the heading “*Material Contracts - JWAM Settlement Agreement*”;

“**Settlement Transaction**” has the meaning ascribed thereto under the heading “*Material Contracts – JWAM Settlement Agreement*”;

“**SISP**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2021*”;

“**SKUs**” means stock keeping units;

“**Staff Notice**” means Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities*;

“**Subco**” means 10859150 Canada Inc., a corporation existing under the federal laws of Canada;

“**Subordinated Voting Shares**” means the Class A common shares designated as subordinated voting shares in the capital of the Company prior to the closing of the CGC Transaction;

“**Tax fees**” has the meaning ascribed thereto under the heading “*Audit Committee Information*”;

“**TerrAscend**” means TerrAscend Corp., a corporation existing under the laws of the Province of Ontario;

“**TerrAscend Canada**” means TerrAscend Canada Inc., a corporation existing under the laws of the Province of Ontario and a wholly-owned subsidiary of TerrAscend;

“**TerrAscend Canada Investment**” means RCC’s investment of C\$13,243,000 in TerrAscend Canada;

“**TerrAscend Shares**” means the common shares in the capital of TerrAscend;

“**TerrAscend Warrants I**” means share purchase warrants of TerrAscend exercisable into 2,225,714 common shares of TerrAscend at an exercise price of C\$5.95 per common share;

“**TerrAscend Warrants II**” means share purchase warrants of TerrAscend exercisable into 333,723 common shares of TerrAscend at an exercise price of C\$6.49 per common share;

“**THC**” means tetrahydrocannabinol;

“**The Hawthorne Collective**” has the meaning ascribed thereto under the heading “*General Development of the Business – History – Fiscal Year 2022*”;

“**TSX**” means the Toronto Stock Exchange;

“**Tweed Tree Lot**” means Tweed Tree Lot Inc. (formerly Spot Therapeutics Inc.), a corporation existing under the laws of the Province of New Brunswick and a wholly-owned subsidiary of CGC;

“**U.S.**” means the United States;

“**USDA**” means the U.S. Department of Agriculture;

“**Vert Mirabel**” means Les Serres Vert Cannabis Inc., a corporation existing under the laws of the Province of Quebec; and

“**ZeaKal**” means ZeaKal, Inc., a Delaware corporation.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the name “AIM2 Ventures Inc.” by articles of incorporation pursuant to the OBCA on October 31, 2017.

On September 17, 2018, the Company completed the acquisition of 100% of the issued and outstanding securities of 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 Subco, a wholly-owned subsidiary of AIM2, amalgamated and the resulting entity became a wholly-owned subsidiary of AIM2 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.” and amended its articles to (i) effect the Consolidation, (ii) change its authorized capital to create the Subordinated Voting Shares and the Multiple Voting Shares (the “**Dual Class Voting Structure**”), and (iii) re-designate each outstanding post-Consolidation Common Share as a Subordinated Voting Share.

On February 23, 2021, the Company completed the CGC Transaction. In connection with the CGC Transaction, the articles of the Company were amended to (i) change the name of the Company from “Canopy Rivers Inc.” to “RIV Capital Inc.”, (ii) change its authorized capital to remove the Multiple Voting Shares from the Company’s authorized share capital, and (iii) re-designate each issued and outstanding Subordinated Voting Share as a Common Share.

The Common Shares currently trade on the CSE under the trading symbol “RIV”.

The head and registered office of the Company is located at 40 King Street West, Suite 2504, Toronto, Ontario, M5H 3Y2.

Intercorporate Relationships

As of March 31, 2023, the Company had six wholly-owned material subsidiaries. The table below lists, as of March 31, 2023, the Company, its active controlled material subsidiaries, their respective jurisdictions of incorporation or formation and percentage of voting securities of each that are beneficially owned, controlled or directed by the Company:

Name of Company	Jurisdiction of Incorporation or Formation	Ownership %
RIV Capital Inc.	Canada	N/A
RCC	Canada	100%
2683922 Ontario Inc.	Canada	100%
RIV Capital US Corporation	U.S.	100%
RIV Capital US Holdings LLC	U.S.	100%
RIV Capital US Real Estate LLC	U.S.	100%
RIV Capital US Services LLC	U.S.	100%

In addition, the Company, through its subsidiaries, provides support services to Etain LLC, a legally licensed cannabis cultivation and retail dispensary operator in the state of New York. The Company has also entered into agreements with Etain LLC that prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the economic benefits that the Company expects to derive from the relationship with Etain LLC. The Company has assessed that as of the Initial Etain Closing, it controls Etain LLC for financial reporting purposes.

Furthermore, on December 15, 2022, the Company, through its subsidiary RIV Capital US Holdings LLC, entered into a convertible promissory note agreement with Allgro Holdings LLC (“**Allgro**”), a member-managed limited liability company that, following the Second Etain Closing, holds the membership interests in Etain LLC. The consideration received by Allgro from the Company’s convertible note investment, in an aggregate principal amount

of \$5,500,000, represented the sole source of financing used by Allgro to complete the acquisition of Etain LLC on December 15, 2022. Pursuant to the convertible promissory note agreement, the Company is afforded substantive voting rights. Accordingly, the Company has assessed that as of the Second Etain Closing, it controls Allgro for financial reporting purposes.

As of March 31, 2023, the Company did not beneficially own, control or direct, directly or indirectly, any restricted securities in any of its active controlled material subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Fiscal Year 2021

On April 6, 2020, RCC invested C\$2,000,000 in Dynaleo pursuant to the Dynaleo Debenture. The Dynaleo Debenture bore interest at a rate of 8% per annum and was convertible, upon the occurrence of certain events, into common shares of Dynaleo. The Dynaleo Debenture matured on August 31, 2020 and converted into 1,499,569 common shares of Dynaleo. Dynaleo also issued RCC 1,000,000 warrants to purchase common shares in the capital of Dynaleo.

On April 13, 2020, PharmHouse entered into the PharmHouse Credit Agreement Amendment, which provided PharmHouse with an additional C\$10,000,000 of secured debt financing, representing an increase to the PharmHouse Credit Facility. Pursuant to the PharmHouse Credit Agreement Amendment and as part of the increase to the PharmHouse Credit Facility, the guarantee of the Company and RCC increased by C\$10,000,000, commensurate with the increase to the PharmHouse Credit Facility. Subsequently, PharmHouse entered into creditor protection proceedings under the CCAA as described below.

On April 30, 2020, the Company and Greenhouse Juice amended select terms of the Greenhouse Unsecured Debenture to extend the maturity and automatic conversion date of the debenture from April 30, 2020, to October 1, 2020.

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.

On June 15, 2020, Mike Lee, Chief Financial Officer of CGC, was appointed to the Board as a nominee of CGC. Mike Lee subsequently resigned from the Board in connection with the CGC Transaction.

On August 4, 2020, the Company entered into an unsecured demand promissory note agreement with PharmHouse, pursuant to which it made total advances of C\$1,206,000 between August 4, 2020 and September 8, 2020. The unsecured demand promissory note bears interest at a rate of 12%. Subsequently, PharmHouse entered into creditor protection proceedings under the CCAA as described below. The Company does not ascribe any value to this investment and upon the termination of the CCAA Proceedings, the Company received the remaining cash held by PharmHouse as described below under "*General Development of the Business – History – Fiscal Year 2022*".

On August 10, 2020, the Company advanced C\$1,080,000 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.

On August 13, 2020, the principal amount of C\$2,024,000 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 C\$688,000 in BioLumic pursuant to a second convertible promissory note agreement. The note matures on August 13, 2022, and bears interest at a rate of

6% per annum, calculated and compounded annually. The outstanding principal amount and any accrued interest is convertible, upon the occurrence of certain events, into preferred shares of BioLumic.

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

On September 14, 2020, the Company received a statement of claim filed in the Ontario Superior Court of Justice by the PharmHouse Majority Shareholder, concerning certain disputes relating to PharmHouse (the “**September 2020 Claim**”). The statement of 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 relationships and breach of fiduciary duty. The Company considered the September 2020 Claim as it related to the Company to be completely without merit and intended to vigorously defend its position at the appropriate time and in the appropriate forum. The September 2020 Claim was subsequently discontinued and the New Claim was reissued and subsequently discontinued, as described below.

On September 15, 2020, PharmHouse obtained an order (the “**Initial Order**”) from the Court granting PharmHouse creditor protection under the CCAA. Ernst and Young LLP was appointed by the Court to act as the monitor (the “**Monitor**”) of PharmHouse in the CCAA proceedings (the “**CCAA Proceedings**”). Pursuant to the Initial Order and the CCAA Proceedings, the September 2020 Claim was stayed. Pursuant to the Initial Order, the Company entered into an agreement to provide PharmHouse with a debtor-in-possession (“**DIP**”) interim, non-revolving credit facility up to a maximum amount of C\$7,214,000 (the “**DIP Financing**”) to enable the company to continue its day-to-day operations throughout the anticipated CCAA Proceedings. The DIP Financing bears interest at a rate of 8% per annum, calculated and compounded monthly and payable on the maturity date. The DIP Financing was subordinate to PharmHouse’s obligations under the PharmHouse Credit Facility.

On September 24, 2020, Garth Hankinson was elected to the Board as a nominee of CGC. Garth Hankinson subsequently resigned from the Board in connection with the CGC Transaction.

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

On October 29, 2020, PharmHouse received approval from the Court to commence its Sale and Investor Solicitation Process (the “**SISP**”), intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of PharmHouse’s assets or business.

On December 15, 2020, February 5, 2021 and March 11, 2021, the Company amended the DIP Financing in favour of PharmHouse to increase the maximum principal amount available to C\$10,740,000 and extend the maturity date to June 30, 2021.

On December 21, 2020, the Company entered into a definitive arrangement agreement with CGC, RCC and Tweed Tree Lot pursuant to which, among other things, the Company agreed to dispose of certain assets held by RCC in exchange for C\$115,000,000 in cash, up to 3,750,000 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 “**CGC Transaction**”). Pursuant to the CGC Transaction, the Company agreed to dispose of its interest in the Exchangeable Shares, the TerrAscend Warrants I, the TerrAscend Warrants II, the loan to TerrAscend Canada made in connection with TerrAscend Canada Investment, the Tweed Tree Lot royalty interest, the Vert Mirabel common shares, and the Vert Mirabel preferred shares.

On December 30, 2020, the Company, sold its interest in Canapar. RCC entered into a definitive share purchase agreement with RAMM, effective as of December 30, 2020, pursuant to which the Company sold its interest in Canapar to RAMM for consideration of up to C\$9,000,000. On closing of the transaction, RAMM delivered a cash payment of C\$7,000,000 to the Company to purchase the Company’s 29,833,333 common shares in Canapar. The transaction also included contingent consideration of C\$2,000,000, to be paid upon achievement of certain operational

milestones or upon the occurrence of certain events, including a change of control of Canapar, which was satisfied on June 15, 2021. The contingent portion of the consideration will be satisfied through the issuance of 2,105,263 common shares in the capital of RAMM.

On January 13, 2021, RCC and Greenhouse Juice agreed to cancel the Greenhouse Preferred Warrants in consideration for Greenhouse Juice issuing (i) a warrant to acquire C\$1,000,000 of preferred shares upon Greenhouse Juice achieving a twelve-month revenue of C\$12,000,000; and (ii) a warrant to acquire C\$1,000,000 of preferred shares on February 17, 2021.

On February 10, 2021, the Company received a statement of claim filed in the Ontario Superior Court of Justice by the PharmHouse Majority Shareholder concerning certain disputes relating to PharmHouse (the “**New Claim**”). The New Claim was substantially similar to the September 2020 Claim, which was discontinued. The New Claim made a number of allegations against the Company, CGC, TerrAscend, and TerrAscend Canada. The New Claim was subsequently discontinued by the PharmHouse Majority Shareholder.

On February 16, 2021, the Company received shareholder approval of the CGC Transaction. In addition, in connection with the CGC Transaction, Bertrand exercised its right of first refusal to purchase its proportionate interest of the common shares in Vert Mirabel (the “**ROFR Shares**”) from the Company. Accordingly, RCC entered into a definitive purchase agreement with Bertrand in respect of the ROFR Shares, pursuant to which RCC sold to Bertrand, 117 ROFR Shares, representing 11.7% of the issued and outstanding common shares of Vert Mirabel, for cash consideration of approximately C\$3,400,000.

On February 23, 2021, the Company completed the CGC Transaction and received consideration comprised of C\$115,000,000 in cash and 3,647,902 common shares of CGC (the “**CGC Shares**”), as well as the cancellation of all Multiple Voting Shares and Subordinated Voting Shares held by CGC. As a result of completion of the CGC Transaction, the Dual Class Voting Structure was eliminated such that the Company’s authorized share capital currently consists of an unlimited number of Common Shares. Following the closing of the CGC Transaction, CGC no longer has any equity, debt, or other material outstanding balances with the Company and Mike Lee and Garth Hankinson, the directors of the Company nominated by CGC, resigned.

On March 3, 2021, PharmHouse signed an asset purchase agreement, pursuant to which PharmHouse agreed to sell various operating assets, including its facility and certain equipment located in its facility. The sale was conditional on approval from the Court, which approval was granted on March 11, 2021.

On March 16, 2021, the Company made a voluntary payment of C\$25,000,000 to the lenders under the PharmHouse Credit Facility, relating to the Company’s estimated liability in respect of its guarantee of the PharmHouse Credit Facility and the Company’s determination that the recoverable amount of PharmHouse’s assets would be less than the principal amount owed by PharmHouse pursuant to the PharmHouse Credit Facility.

Fiscal Year 2022

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

On May 14, 2021, PharmHouse, through the SISP, closed the sale of its greenhouse facility pursuant to the asset purchase agreement entered into on March 3, 2021. Concurrently, the Company made a payment of C\$7,535,000 to the lenders under the PharmHouse Credit Facility. This payment, when combined with the net proceeds received from the sale of the greenhouse facility and the previous C\$25,000,000 payment made by the Company on March 16, 2021, among other items, satisfied all obligations outstanding pursuant to the PharmHouse Credit Facility. The PharmHouse Credit Facility was subsequently terminated and cancelled on May 17, 2021.

On June 2, 2021, the Company sold its property in Fredericton, New Brunswick to Tweed Tree Lot in exchange for a cash payment of C\$4,000,000. The Company no longer has any agreements with Tweed Tree Lot.

Following completion of the CGC Transaction, in an aim to maximize its available cash on hand and to enhance its relative advantage in pursuing potential opportunities in the U.S. cannabis market, the Company commenced the process of divesting the CGC Shares. As of June 3, 2021, the Company had sold all the CGC Shares for net proceeds of approximately C\$110,000,000.

On June 23, 2021, PharmHouse received approval from the Court to terminate the CCAA Proceedings upon the Monitor filing a certificate that all remaining activities in the CCAA Proceedings including the payment of any remaining funds to the Company and the filing of an assignment into bankruptcy of PharmHouse.

On July 15, 2021, the Company exercised its remaining 924,582 Greenhouse Preferred Warrants for an aggregate purchase price of C\$1,000,000 due to the achievement of certain revenue targets by Greenhouse Juice that triggered a mandatory exercise.

On August 9, 2021, the Company entered into a convertible promissory note purchase agreement (the “**Initial Note Purchase Agreement**”) with The Hawthorne Collective, Inc. (“**The Hawthorne Collective**”), a newly formed subsidiary of The ScottsMiracle-Gro Company (“**ScottsMiracle-Gro**”). Pursuant to the Initial Note Purchase Agreement, The Hawthorne Collective agreed to purchase an unsecured convertible promissory note (the “**Convertible Note I**”) from the Company (the “**Initial Hawthorne Investment**”) in the principal amount of \$150,000,000. See “*Material Contracts*” for further details on the terms and conditions of the Initial Note Purchase Agreement.

On August 23, 2021, in connection with the closing of the Initial Hawthorne Investment, the Common Shares began trading on the CSE under the symbol “RIV” and were voluntarily delisted from the TSX as of the close of business on August 24, 2021.

On August 24, 2021, The Hawthorne Collective completed the Initial Hawthorne Investment and invested \$150,000,000 in the Company pursuant to the Convertible Note I. The Initial Hawthorne Investment established the Company as ScottsMiracle-Gro’s preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro).

Convertible Note I provides The Hawthorne Collective with a “top-up” option to purchase additional convertible promissory notes to increase its pro rata ownership of the Company, to a maximum of 49% of the Company’s outstanding Common Shares. See “*Material Contracts*” for further details on the terms and conditions of the Convertible Note I.

In connection with the Initial Hawthorne Investment, the Company entered into an investor rights and strategic opportunities agreement, as amended (the “**Hawthorne Investor Rights Agreement**”), with The Hawthorne Collective, which initially provided for, among other things, customary registration rights, participation rights, certain standstill and transfer restrictions, and the right to nominate up to three directors to the Board. See “*Material Contracts*” for further details on the terms and conditions of the Hawthorne Investor Rights Agreement.

On August 24, 2021, in accordance with the terms of the Hawthorne Investor Rights Agreement, the Company expanded the size of its Board to seven directors and the three nominees of The Hawthorne Collective, being Chris Hagedorn, Mark Sims and Gary Vaynerchuk, were appointed to the Board.

On September 9, 2021, the Monitor filed the CCAA termination certificate and PharmHouse was assigned into bankruptcy pursuant to the *Bankruptcy and Insolvency Act*. In connection with the termination of the CCAA Proceedings and assignment into bankruptcy, the Company received a final distribution from PharmHouse of C\$6,465,000 (the “**Final PharmHouse Distribution**”). The receipt of the Final PharmHouse Distribution concluded the Company’s relationship with PharmHouse in all material respects.

On November 18, 2021, the principal amount of C\$1,080,000 that the Company had advanced to Headset pursuant to the convertible promissory note agreement on August 10, 2020 converted into 554,313 preferred shares of Headset.

On December 23, 2021, and March 29, 2022, the Company and High Beauty amended certain terms of the High Beauty Note. As a result of the agreed-upon amendments, the maturity date of the High Beauty Note was extended to April 22, 2022.

On January 14, 2022, February 11, 2022 and March 31, 2022, the Company and Greenhouse Juice amended certain terms of the senior secured convertible debenture agreement in connection with the Greenhouse Secured Debenture. As a result of the agreed-upon amendments, the maturity date was extended to April 30, 2022.

On March 2, 2022, the principal amount of C\$688,000 in BioLumic that the Company had advanced to BioLumic pursuant to the second convertible promissory note agreement converted into 90,799 preferred shares of BioLumic.

On March 30, 2022, the Company entered into definitive agreements (the “**Etain Purchase Agreements**”) to acquire (the “**Etain Acquisition**”) ownership of Etain IP LLC and control for financial reporting purposes of Etain, LLC (“**Etain LLC**”), owner and operator of legally licensed cannabis cultivation and retail dispensaries in the state of New York, (together, the “**Etain Companies**” or “**Etain**”) for \$247,005,739 (subject to certain adjustments) payable through a combination of cash and newly issued Common Shares. Under the terms of the Etain Purchase Agreements, \$212,219,205 was to be satisfied in cash (subject to certain adjustments) and \$34,786,534 of the purchase price was to be satisfied by the issuance of Common Shares. See “*Material Contracts*” for further details on the terms and conditions of the Etain Purchase Agreements.

The Etain Acquisition was structured to close in two stages. The initial closing of the Etain Acquisition (the “**Initial Etain Closing**”) was completed on April 22, 2022 and the second closing of the Etain Acquisition (the “**Second Etain Closing**”) was completed on December 15, 2022. See “*General Development of the Business – History – Fiscal Year 2023*” for further details.

On March 30, 2022, The Hawthorne Collective provided notice to the Company that it was exercising its “top-up” option to purchase an additional convertible promissory note pursuant to its rights existing under the Initial Hawthorne Investment. The Company and The Hawthorne Collective entered into a convertible promissory note purchase agreement (the “**Additional Note Purchase Agreement**”), pursuant to which The Hawthorne Collective agreed to advance the Company \$25,000,000 at the time of the Initial Etain Closing (as defined below), to be evidenced by an unsecured convertible promissory note (the “**Convertible Note II**” and together with the Convertible Note I, the “**Convertible Notes**”) issued by the Company (the “**Additional Hawthorne Investment**” and together with the Initial Hawthorne Investment, the “**Hawthorne Investments**”). The Convertible Note II includes substantially the same terms as the Convertible Note I. See “*Material Contracts*” for further details on the terms and conditions of the Additional Note Purchase Agreement and Convertible Note II.

In connection with the Additional Hawthorne Investment, on March 30, 2022, the Company also entered into an amendment to the Hawthorne Investor Rights Agreement with The Hawthorne Collective providing for, among other things, an increase to the size of the Board from seven to nine members and the right for The Hawthorne Collective to nominate an additional director for election to the Board. See “*Material Contracts*” for further details on the terms and conditions of the Hawthorne Investor Rights Agreement, as amended.

Also on March 30, 2022, Mark Sims replaced Narbé Alexandrian as President and Chief Executive Officer of the Company and Narbé Alexandrian resigned as a director of the Board.

Fiscal Year 2023

On April 21, 2022, the Company and High Beauty amended certain terms of the High Beauty Note. As a result of the agreed-upon amendments, the maturity date of the High Beauty Note was extended to July 22, 2022.

On April 22, 2022, the Initial Etain Closing was completed. In connection with the Initial Etain Closing, the Company acquired the non-regulated portion of the Etain Companies through a combination of cash in the amount of \$169,775,364 (subject to customary post-closing adjustments) and 21,092,335 newly issued Common Shares. To finance the cash portion of the consideration payable pursuant to the Initial Etain Closing, the Company utilized proceeds received from the Hawthorne Investments.

On April 22, 2022, concurrent with the Initial Etain Closing, The Hawthorne Collective completed the Additional Hawthorne Investment and advanced \$25,000,000 to the Company pursuant to the Convertible Note II.

On April 29, 2022, the Company and Greenhouse Juice amended certain terms of the senior secured convertible debenture agreement in connection with the Greenhouse Secured Debenture. As a result of the agreed-upon amendment, the maturity date was extended to June 1, 2022.

On May 24, 2022, the Company announced that it had received notice of an Ontario Superior Court of Justice application by JWAM (the “**JWAM Application**”) in connection with the Company’s process regarding the Etain Acquisition. In its application, JWAM sought a declaration that the management, business or affairs of the Company

were conducted in a manner that was oppressive or unfairly prejudicial or that unfairly disregarded the interests of JWAM as a shareholder of the Company. JWAM also sought an order requiring the Company to purchase JWAM's Common Shares at C\$1.65 per Common Share. The Company and JWAM subsequently entered into the Settlement Agreement, pursuant to which JWAM consented to the dismissal, without costs, of its application, as described below.

On June 20, 2022, the Company disposed of all financial instruments it held in Greenhouse Juice. Upon disposition, the Company received cash consideration of \$4,260,000 (C\$5,500,000), which was allocated among the respective underlying instruments in accordance with the sale agreement.

On July 21, 2022, High Beauty completed the initial closing of a financing round that triggered automatic conversion mechanisms pursuant to the High Beauty Note. Accordingly, the principal amount of \$750,000 that the Company had advanced to High Beauty pursuant to the High Beauty Note and accrued interest thereon converted into an additional 1,000,017 preferred shares of High Beauty.

On August 23, 2022, the Company announced that it had entered into a lease agreement with Zephyr (the "**Zephyr Lease**"), a leading California-based developer, for the development and operation of a planned new flagship cannabis cultivation and manufacturing facility in Buffalo, New York (the "**Flagship Facility**"). Under the lease agreement, Zephyr will develop and lease to the Company two buildings totaling approximately 75,000 square feet. The Company will sublease the Flagship Facility to Etain LLC upon receipt of necessary regulatory approvals, and the lease is contingent on receipt of regulatory and other necessary approvals. The initial term of the lease is for 15 years and will commence upon substantial completion of construction of the buildings. The Company and Etain will also have the option to expand the leased premises to include additional building(s) of added manufacturing and cultivation space.

On November 21, 2022, the New York State Cannabis Control Board (the "**CCB**") and the New York State Office of Cannabis Management (the "**OCM**") approved Etain LLC's change of control request. This approval cleared the path for the Company to complete the Etain Acquisition.

On December 15, 2022, the Second Etain Closing was completed. In connection with the Second Etain Closing, the Company satisfied the remainder of the purchase price through a combination of cash in the amount of \$42,444,000 (subject to customary post-closing adjustments) and 5,273,084 newly issued Common Shares.

In connection with the Second Etain Closing, on December 15, 2022, the Company, through its subsidiary RIV Capital US Holdings LLC, entered into a convertible promissory note agreement with Allgro Holdings LLC ("**Allgro**"), a member-managed limited liability company that, following the Second Etain Closing, holds the membership interests in Etain LLC. The consideration received by Allgro from the Company's convertible note investment, in an aggregate principal amount of \$5,500,000, represented the sole source of financing used by Allgro to complete the acquisition of Etain LLC on December 15, 2022.

On February 23, 2023, the Company announced that it had entered into the Settlement Agreement, pursuant to which JWAM consented to the dismissal of its application related to the Etain Acquisition. Under the terms of the Settlement Agreement, the Company repurchased for cancellation all Common Shares owned or controlled by JWAM and its affiliates, amounting to 33,733,334 Common Shares, for an aggregate purchase price of \$19,625,000. The Company also reimbursed certain legal expenses incurred by JWAM as part of its application and related matters in the amount of \$375,000. As part of the Settlement Transaction, JWAM and its affiliates withdrew their requisition for a special meeting of the Company's shareholders that was scheduled for June 6, 2023, and such meeting was cancelled by the Company. See "*Material Contracts – JWAM Settlement Agreement*" for further details on the terms and conditions of the Settlement Agreement.

On March 1, 2023, the Board appointed Chief Operating Officer Mike Totzke as interim Chief Executive Officer, following the departure of former President and Chief Executive Officer Mark Sims, and announced the formation of a Strategic Growth Committee to develop and lead growth strategies, including potential strategic M&A.

Recent Developments

On May 11, 2023, the OCM recommended and the CCB approved a revised package of adult-use regulations, incorporating feedback from the public comment period that ended on February 13, 2023. The revised regulations include a significantly shortened waiting period for Etain's entry into the retail adult-use market, now allowing for one co-located store by year end and the second and third co-located stores after June 29, 2024 (compared to the initial

draft regulations' three-year waiting period). These revised regulations, however, remain in draft form and are undergoing a public comment period. Please refer to “*Description of Business – Overview of Industry - Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)*” for additional information regarding the revised regulations.

Subsequent to March 31, 2023, certain material changes to existing contracts with customers were effected such that Dynaleo became unable to meet its short term financial obligations required to continue operations. On May 23, 2023, Dynaleo filed a Notice of Intention for creditor protection pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada). Dynaleo intends to solicit investment for its business or alternatively to liquidate its assets.

DESCRIPTION OF THE BUSINESS

Company Overview

The Company is an investment and acquisition firm specializing in cannabis. The Company's original focus was on strategic transactions with companies licensed under the Cannabis Act, 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. In connection with the completion of the CGC Transaction, the Company shifted its strategic focus to the U.S. cannabis market. The Company aims to capitalize on the building momentum in the U.S. cannabis market and pursue large investment or acquisition opportunities in established U.S.-based operating businesses.

U.S. Cannabis Platform

On February 23, 2021, the Company completed the CGC Transaction. Upon completion of the CGC Transaction, the Board and the special committee of independent members of the Board constituted in connection with the CGC Transaction, in consultation with management and external advisors, comprehensively re-evaluated the Company's business and investment strategy. Accordingly, the Company shifted its strategic focus to material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market.

As it embarked upon its strategic shift to the U.S. cannabis market, the Company, in an effort to enhance the differentiation of the platform and strengthen its positioning for future operational success, established a strategic partnership with ScottsMiracle-Gro through The Hawthorne Collective. As discussed further under the heading “*General Development of the Business – History – Fiscal Year 2022*”, on August 24, 2021, The Hawthorne Collective invested \$150,000,000 in the Company pursuant to the Convertible Note I issued by the Company.

After completion of the Initial Hawthorne Investment, the Company continued to evaluate opportunities for transactions with U.S. cannabis businesses. These efforts culminated in the announcement on March 30, 2022, of the Etain Purchase Agreements to acquire ownership of Etain IP and control for financial reporting purposes of Etain LLC, as discussed further under the heading “*General Development of the Business – History – Fiscal Year 2022*”. On April 22, 2022, the Initial Etain Closing occurred and the Company acquired the non-regulated portion of the Etain Companies. In addition, The Hawthorne Collective purchased Convertible Note II for \$25,000,000 pursuant to rights existing under the Initial Hawthorne Investment. To finance the cash portion of the consideration payable pursuant to the Initial Etain Closing, the Company utilized proceeds received from the Hawthorne Investments. On November 21, 2022, the CCB approved Etain LLC's change of control request and on December 15, 2022, the Second Etain Closing occurred, with the Company satisfying the remaining cash and share consideration pursuant to the Etain Acquisition.

The Company believes that the market opportunity in the U.S. continues to be significant, and that current political and regulatory conditions present a unique opportunity for entities seeking and willing to deploy capital into cannabis businesses in the U.S. The U.S. cannabis market is currently comprised of 22 states, plus the District of Columbia, where cannabis has been legalized for adult use and 41 states, plus the District of Columbia, where cannabis is legal for medical use, representing a large addressable population. According to estimates published by MJBizDaily in April 2023, the country's legal cannabis sales are expected to surpass \$33 billion in 2023. The Company expects sales to trend higher as a result of a continuation of medical and adult-use programs rolling out across states. 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, the Hawthorne Investments and the Etain Acquisition, it is well-positioned with its strong balance sheet and existing expertise and knowledge of the U.S. cannabis landscape to continue to grow in the U.S. market.

Prior to the Etain Acquisition, the Company did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. In light of the Etain Acquisition and the agreements referenced under the heading “*Corporate Structure – Intercorporate Relationships*”, following the Initial Etain Closing, the Company (through Etain) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice.

New York: Etain

Etain is a legally licensed cannabis cultivation and retail dispensary operator in the state of New York. Etain is one of the state’s original five medical cannabis licence recipients and one of eleven approved vertically integrated operators. Etain was founded by members of the Peckham family in Chestertown, New York, where the business is undergoing significant expansion of growing and manufacturing space. Etain has four operating dispensaries, including its flagship store in Manhattan and locations in Kingston, Syracuse and Westchester.

Etain LLC is a vertically-integrated cannabis company operating in the state of New York. It was founded as a women- and family-owned company in 2015 and is one of eleven Registered Organizations (each, a “**RO**”) licensed to sell medical marijuana in New York State. As a RO, Etain LLC’s license allows for the cultivation, processing, and dispensing of medical cannabis products. As of the date of this AIF, Etain LLC operates a cultivation and processing facility in Chestertown, as well as four retail dispensaries in the State of New York.

Cultivation and Production

Etain LLC currently operates a cultivation and processing facility located in Chestertown, New York, a hamlet with approximately 700 residents in the Adirondack Mountains. Constructed in 2015, the original 15,000 square foot facility is comprised of approximately 8,100 square feet of rooms dedicated for flowering and includes two smaller extraction labs and a larger production floor, out of which Etain LLC manufactures its portfolio of medicated cannabis products (dried flower, pre-rolls, vaporizers, capsules, tinctures, powders, lozenges, lotions, and oral sprays).

The Chestertown facility is currently undergoing a significant expansion, which was substantially completed during the second calendar quarter of 2023. The expansion includes approximately 28,800 square feet of additional rooms dedicated for flowering with eight new hybrid greenhouse bays, as well as new production space to meet the anticipated demands of the impending adult-use market in New York. The Company has taken possession of the expansion and is in the process of beginning plant propagation in the expansion facility.

On August 23, 2022, the Company entered into the Zephyr Lease for the development and operation of a planned new Flagship Facility in Buffalo, New York. Under the lease agreement, Zephyr will develop and lease to the Company two buildings totalling approximately 75,000 square feet. The Company will sublease the Flagship Facility to Etain LLC upon receipt of necessary regulatory approvals, and the lease is contingent on receipt of regulatory and other necessary approvals. See “*General Development of the Business – History – Fiscal Year 2022*” herein for additional details relating to the Zephyr Lease.

Retail

Etain LLC operates four medical cannabis dispensaries in the State of New York under the “Etain” banner, which are focused on delivering superior patient experience through high-engagement patient interaction and a consultative, transparent, and education-forward approach to dispensing medical cannabis. Etain LLC’s current dispensary footprint includes the following locations:

Summary of Etain Dispensaries			
Location	Address	Year Opened	Description
Manhattan	242 E 58 th Street, New York, NY	2020	The dispensary is Etain LLC’s flagship retail location in Manhattan designed by Clodagh near highly-trafficked New York landmarks and retail stores. The dispensary services an area with an addressable population of approximately 8 million people in Manhattan, Queens, Brooklyn, and the Bronx.
Kingston	445 Onteora Trail, NY-28, Kingston, NY	2016	The dispensary was the first medical cannabis dispensary to open in New York. It services an area with an addressable population of approximately 65,000 people in Ulster County, with a reach extending into surrounding counties.
Syracuse	2140 Erie Blvd E, Syracuse, NY	2016	The dispensary is located off of Interstate 690 and near high-traffic retail stores. It services an area with an addressable population of approximately 460,000 people in Onondaga County, with additional reach into surrounding counties.
Yonkers	55 Main Street, Yonkers, NY	2016	The dispensary is situated at the south end of Westchester County with easy access to the Bronx. It services an area with an addressable population of approximately 1 million people within Westchester County.

Products and Brands

Etain LLC’s portfolio of medical cannabis products is primarily generated from plant materials that Etain LLC grows and processes itself, which are used to produce consumer packaged goods. This portfolio consists of SKUs across a range of cannabis product categories, consisting of dried flower, pre-rolls, vaporizers, capsules, tinctures, powders, lozenges, lotions, and oral sprays.

Etain LLC’s portfolio of SKUs are offered under four brands, each carefully tailored to deliver specific results for medical patients:

Balance: *“Feel comfortable in your own skin”*

- 1:1 CBD to THC ratio to maintain a relaxing foundation and build on the euphoria

Dolce: *“Find your center”*

- High level of CBD combined with just a splash of THC to provide a full-body calm

Forte: *“More power to you”*

- High concentration of THC, with a small amount of CBD to smooth the edges

Mezzo: *“Zen with benefits”*

- 2:1 CBD-to-THC ratio to pair the calming effects of CBD with a gentle bounce of energy

Other Investments

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. Investments were made 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, the Company established a diversified portfolio of investments.

In connection with its shift in investment strategy discussed herein, the Company has capitalized on certain monetization opportunities and streamlines its legacy portfolio. As of the date of this AIF, the Company continues to have active investments in the following companies (the “Investees”):

Investee⁽¹⁾	Location of Operations	Business Description
Agripharm	Canada (Alberta, British Columbia, Manitoba, Ontario, Quebec, Prince Edward Island, and Saskatchewan)	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. 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.
BioLumic	New Zealand and U.S.	BioLumic is an agricultural biotech company that programs the genetic expression of plants through light. The company’s Light Treatment Platform combines biological insights, genetic marker knowledge, data, and innovation in light-mediated plant development. Through a short duration application of Light Signal Recipes™ to young plants or seeds, BioLumic has created large improvements in plant yield, quality, and disease resistance. This includes triggering genetic expression changes to better match existing genetics to varying environments and growing system requirements.
Dynaleo	Canada (Alberta, British Columbia, Manitoba, Ontario, Northwest Territories, Saskatchewan, and Yukon)	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.
Headset	Canada (Alberta, British Columbia, Ontario, and Saskatchewan) and U.S.	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. and in Canada, and its retail data intelligence tool in the U.S. and Canada.
High Beauty	Canada, Europe, Hong Kong, United Arab Emirates, and U.S.	High Beauty, Inc. is a multiple-brand beauty company and intimate wellness company with offerings under 4 portfolio brands, including high®, canBE naturally®, Blossom Organics® and Seed & Flora®. All brands are expertly formulated with hempseed oil (free of THC), bioflavonoids and pure essential plant oils, to deliver the high-powered benefits of hemp for the

Investee⁽¹⁾	Location of Operations	Business Description
		skin. Products are organic aloe-based (no water), formulated with organic and clean ingredients, vegan, cruelty-free and dermatologist recommended. The company has distribution partnerships with retailers and distributors in the U.S., Canada, Asia, the UK, and the EU.
LeafLink International	Canada (Ontario)	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 8,500 cannabis retailers across approximately 26 territories in the U.S. with approximately 3,700 vendors, servicing approximately \$4.5 billion of gross merchandise value on an annualized basis. As of the date of this AIF, LeafLink International's Canadian operations have been temporarily suspended due to regulatory limitations in Canada.
NOYA	Canada (British Columbia, Manitoba, Newfoundland, Ontario, Quebec, and Saskatchewan)	NOYA is a white label company licensed to cultivate, process, and sell dried cannabis and cannabis oils under the Cannabis Act. Based in Hamilton, Ontario, NOYA 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. NOYA cultivates for Cookies- and Gage-branded products.
ZeaKal	New Zealand and U.S.	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, corn, and soybeans.

(1) As of the date of this AIF, the Company also has certain financial interests in other companies, that, to which it ascribes an immaterial or nominal value.

Below is a summary of the Company's investments as at March 31, 2023:

Royalty and Debt Investments⁽¹⁾			
Investee	Investment	Capital Advanced as at Mar. 31, 2023	Notes⁽²⁾
Agripharm ⁽³⁾	Royalty interest	C\$20,000,000	• Royalty is for a term of 20 years and is subject to a minimum annual payment based on 20% of the amount advanced

Royalty and Debt Investments ⁽¹⁾			
Investee	Investment	Capital Advanced as at Mar. 31, 2023	Notes ⁽²⁾
NOYA ⁽⁴⁾	Royalty interest	C\$5,000,000	<ul style="list-style-type: none"> Royalty is for a term of 20 years and is subject to a minimum annual payment of C\$900,000
	Convertible debenture	C\$1,000,000	<ul style="list-style-type: none"> 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 NOYA Matured on January 2, 2023

- The information contained in this table excludes certain immaterial debt investments held by the Company as at March 31, 2023, in instances where the Company is not actively involved with the debtor and/or has not ascribed any value to its investment. See “*General Development of the Business*” for additional details.
- Annual payments are based on the contractual terms of the underlying instruments in effect as of the date of this AIF and may not reflect actual cash amounts received by the Company. See “*Risk Factors*”.
- As at March 31, 2023, the Company had written off the entire outstanding gross royalty receivable balance owed by Agripharm based upon the Company’s expectations regarding the likelihood of collection in light of Agripharm’s underlying business conditions. The Company does not recognize any ongoing royalty income related to its royalty investment in Agripharm.
- As at March 31, 2023, the Company had recognized a provision for expected credit losses of 50% of the outstanding gross royalty and interest receivable balance of \$2,559,000 owed by NOYA based upon the Company’s expectations regarding the likelihood of collection in light of NOYA’s underlying business conditions.

Equity and Warrant Investments ⁽¹⁾				
Investee	Investment	Cost Base ⁽²⁾	Number of Shares / Warrants	Notes
BioLumic	Preferred shares	C\$2,692,000	472,389	<ul style="list-style-type: none"> Represents an approximate 7% equity interest on a fully-diluted basis
Dynaleo	Common shares	C\$1,613,000	1,449,569	<ul style="list-style-type: none"> Represents an approximate 7% equity interest on a fully-diluted basis
	Warrants	C\$387,000	1,000,000	
Headset	Preferred shares	C\$5,359,000	2,126,901	<ul style="list-style-type: none"> Represents an approximate 6% equity interest on a fully-diluted basis
High Beauty ⁽³⁾⁽⁴⁾	Preferred shares	C\$2,867,000	3,500,017	<ul style="list-style-type: none"> Represents an approximate 16% equity interest on a fully-diluted basis
	Warrants	C\$495,000	612,500	
LeafLink International	Common shares	C\$2,638,000	2,000,000	<ul style="list-style-type: none"> Represents an approximate 17% equity interest on a fully-diluted basis
NOYA ⁽³⁾	Common shares	C\$5,000,000	17,588,424	<ul style="list-style-type: none"> Represents an approximate 22% equity interest on a fully-diluted basis
ZeaKal	Preferred shares	C\$13,487,000	248,446	<ul style="list-style-type: none"> Represents an approximate 9% equity interest on a fully-diluted basis

- The information contained in this table excludes certain immaterial equity and/or warrant investments held by the Company as at March 31, 2023, in instances where the Company is not actively involved with the subject company and/or has not ascribed any value to its investment.
- Cost base generally represents the purchase price of the investment made by the Company. 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 presented above based on the original cost base of the corresponding debenture.
- Equity ownership on a fully-diluted basis assumes the conversion of the convertible security described in the previous table.
- See “*General Development of the Business*” herein for additional details relating to the current estimated value of the Company’s investment in High Beauty preferred shares and warrants.

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

Overview of Industry

Regulatory Framework

Prior to the Etain Acquisition, the Company did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. In light of the Etain Acquisition and the agreements referenced under the heading “*Corporate Structure – Intercorporate Relationships*”, following the Initial Etain Closing, the Company (through Etain) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. Etain is a legally licensed cannabis cultivation and retail dispensary operator in the state of New York. Etain is one of the state’s original five medical cannabis license recipients and one of 10 approved vertically integrated operators. Etain has four operating dispensaries, including its flagship store in Manhattan and locations in Kingston, Syracuse and Westchester. The Investees are not currently directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice).

Pursuant to the Staff Notice, issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents, such as this AIF. The Company will evaluate, monitor, and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation that may have an impact on Etain LLC’s licences, business activities, or operations will be promptly disclosed by the Company.

The following table is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in the Staff Notice issued by the CSA for issuers that currently have marijuana-related activities in U.S. states where such activity has been authorized within a state regulatory framework.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference and Comments (as applicable)
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<i>“General Development of the Business – History – Fiscal Year 2022”</i> <i>“General Development of the Business – History – Fiscal Year 2022”</i> <i>“Description of the Business – Company Overview”</i> <i>“Description of the Business – Overview of Industry”</i> <i>“Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary) – New York Licenses”</i>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<i>“Description of the Business – Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)”</i> <i>“Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)”</i> <i>“Risk Factors”</i>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	<i>“Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)”</i> <i>“Description of the Business – Overview of Industry – Cannabis Regulatory</i>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference and Comments (as applicable)
		<p><i>Framework – U.S. (State-Level and Compliance Summary)</i></p> <p><i>“Risk Factors – Risks Relating to the Company’s Business and Industry – Risks Associated with Compliance with Cannabis Laws, Regulations and Guidelines”</i></p> <p><i>“Risk Factors – Risks Related to U.S. Cannabis Operations”</i></p>
	<p>Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.</p>	<p><i>“Risk Factors – Risks Related to U.S. Cannabis Operations – Risks Associated with Investing in or Acquiring U.S. Cannabis Businesses”</i></p> <p><i>“Risk Factors – Risks Related to U.S. Cannabis Operations – Risks Associated with Accessing Commercial Banking Services and Third-Party Service Providers”</i></p>
	<p>Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.</p>	<p><i>“Description of the Business – Access to Public and Private Capital”</i></p> <p><i>“Risk Factors – Risks Relating to the Securities of the Company – Additional Financing Risk”</i></p>
	<p>Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p>Prior to the Etain Acquisition, the Company’s broader balance sheet and operating statement had limited exposure to U.S. marijuana-related activities through its investments in ancillary businesses related to the U.S. marijuana industry including Headset and LeafLink. As of the date of this AIF, 100% of Etain’s operations are in the U.S.</p>
	<p>Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.</p>	<p>The Company and Etain have obtained legal advice, including a legal opinion obtained by the Company regarding (a) compliance with applicable New York state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.</p>
<p>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</p>	<p>Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.</p>	<p><i>“Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)”</i></p> <p><i>“Risk Factors – Risks Relating to the Company’s Business and Industry – Risks Associated with U.S. Cannabis Regulatory Requirements”</i></p>
	<p>Discuss the issuer’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose</p>	<p><i>“Description of the Business – Overview of Industry – Regulatory Framework”</i></p> <p><i>“Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference and Comments (as applicable)
	any non-compliance, citations or notices of violation which may have an impact on the issuer’s licence, business activities or operations.	<i>Compliance Summary) – New York Licenses</i> <i>“Description of the Business – Overview of Industry – Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary) – Compliance Program and Procedures”</i>

In accordance with the Staff Notice, below is a discussion of the federal and state-level U.S. regulatory regime in New York State, where Etain is currently involved in the cannabis industry. Also included below is a summary of the cannabis regulatory framework in Canada.

Cannabis Regulatory Framework – Canada

Medical cannabis has been regulated in Canada since 2001 under various legislative 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. 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.

Under the Cannabis Act, 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. With respect to retail sales of cannabis, 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.

Estimates of the potential 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. Despite the early and, in some respects, ongoing challenges experienced by the industry, the emerging sector is demonstrating positive momentum. It is also expected that the continued adoption by consumers 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.

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, research and cannabis drugs. In addition, the Cannabis Act includes various labeling and branding requirements, as well as restrictions on promotion, among other requirements.

In the initial stage of the regulated adult-use cannabis market, products available for sale included, among other things, dried flower, oils and soft-gels, 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 Cannabis Regulations. Cannabis oil ceased to be a separate class of saleable cannabis effective October 17, 2020 and is subsumed within other classes of cannabis (e.g., cannabis extracts or edible cannabis), depending on the details of how the particular cannabis product is packaged, the THC content and the presence of other ingredients. Edible cannabis, cannabis extracts, and cannabis topical products, which are now available for sale, are subject to, among other things, 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 THC content, and added facility requirements.

On September 22, 2022, the federal government announced a legislative review of the Cannabis Act will be conducted by an independent panel, as required under the Cannabis Act. The panel’s report will be submitted to Parliament within 18 months of the start of the review and may recommend legislative changes.

On March 24, 2023, Health Canada published a notice of intent seeking feedback on potential amendments to the Cannabis Regulations regarding licensing, personnel and physical security measures, production requirements, packaging and labelling requirements, and record keeping and reporting requirements. The public comment period closed on May 24, 2023, and Health Canada is currently considering the feedback.

Cannabis Regulatory Framework – U.S. (Federal-Level and Related Risks)

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice, regarding required disclosures for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state’s regulatory framework. Under the revised notice, all issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

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. Under U.S. federal law, drugs are regulated through the CSA, which categorizes drugs into five different schedules. Schedule I is reserved for those drugs the DEA considers to have a high potential for abuse with no currently accepted medical use. Cannabis, other than hemp containing less than 0.3% THC on a dry weight basis (see below for more information), is categorized as a Schedule I controlled substance under the CSA, making it illegal under U.S. federal law to cultivate, distribute, or possess cannabis. While state laws 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. As at the date of this AIF, 41 states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Island), have legalized the cultivation and sale of cannabis for medical purposes. In 22 states and the territory of Guam, the sale and possession of cannabis is legal for both medical and adult use, and the District of Columbia has legalized adult use but not commercial sale.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General James Cole authored a memorandum (the “**Cole Memorandum**”), addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. On January 4, 2018, then U.S. Attorney General Jeff Sessions issued a memorandum (the “**Sessions Memorandum**”) that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of U.S. attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with

federal prohibitions. The Sessions Memorandum did not give federal prosecutors direction as to the priority they should ascribe to such cannabis activities, and therefore it is uncertain how active federal prosecutors will be in relation to such activities. Due to the ambiguity of the Sessions Memorandum, it is possible that the federal government will seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. See “*Risk Factors*” for additional information.

Notably, one legislative safeguard for medical cannabis programs remains in place. Congress has repeatedly passed a budget “rider” provision known as the “Rohrabacher-Farr Amendment” (also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce-Leahy” Amendment), which prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis markets. The Rohrabacher-Farr amendment has been passed in the FY 2015, 2016, 2017, 2018, 2019, 2020, 2021 Consolidated Appropriations Acts. On March 15, 2022, the amendment was renewed through signing of the fiscal year 2022 omnibus spending bill, extending the rider’s protections through September of 2022. On September 30, 2022, President Biden signed H.R. 6833, a continuing resolution extending the provisions of the Rohrabacher-Farr Amendment through December 16, 2022. On December 29, 2022, President Biden signed PL 117-328, the Consolidated Appropriations Act for fiscal 2023, making the Rohrabacher Farr amendment effective through September 30, 2023. While similar riders have been proposed to protect existing state enacted adult-use programs, such riders have not yet passed Congress and are not presently in place. There are no assurances that the Rohrabacher-Farr Amendment will be included in the omnibus appropriation package or a continuing budget resolution once the current spending bill expires.

It remains possible that state laws legalizing and regulating the sale and use of cannabis could be repealed or overturned, or that local governmental authorities will limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA (or provides for some other legislative change) with respect to cannabis (and there can be no assurances as to the timing or scope of any such potential changes) 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.

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 that 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.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan or any other service could be found guilty of money laundering or conspiracy. Accordingly, the Company may have limited or no access to banking or other financial services. The inability, or limitation on the ability, to open or maintain bank accounts in the U.S., obtain other banking services, and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned in the U.S.

Despite these laws, in February 2014, FinCEN issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. See “*Risk Factors*” for additional information.

On December 20, 2018, 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 CBD derived from industrial hemp (as defined in the 2018 Farm Bill), from 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 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 FDA has retained its authority to regulate products containing cannabis or cannabis-derived compounds, including CBD, under the FDCA and section 351 of the Public Health Services 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 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. On January 26, 2023, the FDA announced that it had denied three citizen petitions that had asked the FDA to issue a rulemaking allowing products containing CBD to be marketed as dietary supplements. Instead of agreeing to issue a rulemaking, the FDA took the position that “a new regulatory pathway for CBD is needed that balances individuals’ desire for access to CBD products with the regulatory oversight needed to manage risks.” While the FDA announced its willingness to work with Congress on such a program, it would not create such a regulatory program on its own. Moreover, in denying the citizen petitions, the FDA expressed significant concerns about CBD. For example, the FDA stated, “[t]he accumulating evidence about CBD suggests that there are considerable safety concerns with its potential use as a dietary supplement, and it is not apparent from your Petition or the available evidence how a CBD product would be able to meet the applicable safety standard that the law provides for dietary supplements. The use of CBD raises safety concerns, especially with long-term use. Scientific studies show possible harm to the male reproductive system, including testicular atrophy; harm to the liver; and interactions with certain medications. The FDA has not found adequate information showing how much CBD can be consumed, and for how long, before causing harm. This is particularly true for vulnerable populations like children and those who are pregnant. For this reason, we have concerns as to whether CBD products could meet the safety standard for dietary supplements.”

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. Subsequently, Connecticut, New Mexico, New York, and Virginia (during 2021) and Rhode Island (during 2022) passed legislation to allow adult use of cannabis, with implementing legislation and regulations for commercial sales to follow. On November 8, 2022, Maryland voters approved a referendum and Missouri voters passed a ballot initiative legalizing marijuana. Adult-use sales in Maryland are expected to commence on July 1, 2023, and have already commenced in Missouri earlier this year. Measures to legalize adult-use marijuana in Arkansas, North Dakota, and South Dakota failed. Other states, including Ohio and Pennsylvania, are currently considering the implementation of adult-use regulatory frameworks in 2023.

Furthermore, multiple legislative reforms related to cannabis have been introduced in the U.S. Congress. Examples include the proposed bills styled as the States Reform Act, the Cannabis Administration and Opportunity Act, 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 (the “**SAFE Banking Act**”). The SAFE Banking Act did not pass the Senate in the last Congress, and will likely be introduced in the current Congress, but with the change in control of the House and a narrow democratic majority in the Senate, passage cannot be assured. None of these proposed bills have been approved by both chambers of Congress and none have yet been presented to President Biden for signature. There can be no assurance that any of these pieces of legislation will become law in the U.S.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives: (1) pardoning those convicted of simple marijuana possession under the CSA (21 U.S.C. § 844) and under Washington D.C.’s Code 48-904.01(d)(1); and (2) asking the Secretary of Health and Human Services and the Attorney General “to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law”. The administrative review of how marijuana is scheduled under the CSA would be conducted by the FDA and DEA, but it remains unclear when these agencies will complete their respective reviews and whether such reviews will result in a change in how marijuana is classified under the CSA.

On December 2, 2022, President Biden signed into law H.R. 8454, the “Medical Marijuana and Cannabidiol Research Expansion Act,” (the “**Research Expansion Act**”). The Expansion Act establishes a new registration process for conducting research on marijuana and for manufacturing marijuana products for research purposes and drug development. Among other things, the Research Expansion Act (i) directs the DEA to register practitioners to conduct cannabis and CBD research and manufacturers to supply cannabis for research purposes; (ii) expressly allows the DEA to register manufacturers and distributors of cannabis or CBD for the purposes of commercial production of a drug approved by the FDA; (iii) requires the DEA to assess whether there is an adequate and uninterrupted supply of cannabis for research purposes; (iii) permits registered entities to manufacture, distribute, dispense, or possess cannabis or CBD for purposes of medical research; (iv) clarifies that physicians do not violate the CSA when they discuss the potential harms and benefits of cannabis and CBD with patients; and (v) directs the DHHS to coordinate with the National Institutes of Health and other agencies to report on the “therapeutic potential” of cannabis for conditions such as epilepsy, and the impact of cannabis on adolescent brain development. The Research Expansion Act is believed to be the first piece of standalone federal cannabis reform legislation in U.S. history.

For the reasons set forth above, the Company’s existing investments in the U.S., and any current and future investments in the U.S. cannabis market that the Company pursues under its revised corporate strategy, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada, the U.S, and elsewhere. As a result, the Company may be subject to direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to further invest in the U.S. or any other jurisdiction. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its investments in certain Investees, its financial position, operating results, profitability or liquidity or the market price of the Common Shares.

Moreover, as a result of the Company’s strategy targeting opportunities in the U.S. cannabis market and/or the Etain Acquisition, parties outside of the cannabis industry with which the Company does business may perceive that they

are exposed to reputational or other business risk as a result of the Company's cannabis-related business activities. For example, the Company could receive a notification from a financial institution or professional services firm advising it that they would no longer maintain a relationship with the Company. Accordingly, the Company may in the future have difficulty establishing certain business relationships that it needs to operate its business. Failure to establish or maintain business relationships could have a material adverse effect on the Company. See "Risk Factors" for additional information.

Cannabis Regulatory Framework – U.S. (State-Level and Compliance Summary)

New York Legislative History

In July 2014, the New York legislature and Governor of New York enacted the Compassionate Care Act (the "CCA") to provide a comprehensive, safe and effective medical cannabis program. The CCA bill was part of the Title V-A in Article 33, Title 10, Chapter 13 of the Public Health Law. The CCA provided access to the program to those who suffer from one of 31 qualifying serious conditions including debilitating or life-threatening conditions such as cancer, HIV/AIDS, ALS and chronic pain. Patients were also required to have one of the following associated or complicating conditions: cachexia or wasting syndrome, severe or chronic pain, severe nausea, seizures, or severe or persistent muscle spasms. Pursuant to the CCA, only a limited number of product offerings were allowed including metered liquid or oil preparations, solid and semi-solid preparations (e.g., capsules, chewable and effervescent tablets), metered ground plant preparations, and topical forms and transdermal patches. Medical cannabis was not permitted to be incorporated into food products unless approved by the Commissioner of Health and smokable cannabis flower was prohibited.

On March 31, 2021, the New York State legislature passed the Marijuana Regulation and Taxation Act (the "MRTA"), legalizing adult-use cannabis in the state and establishing a regulatory framework for medical and adult-use cannabis and hemp. Under the MRTA, the CCA provisions were repealed effective six months after the appointment of the CCB, the approval and oversight body of the OCM. The CCB was appointed in September 2021 and held its first meeting on October 5, 2021. Accordingly, the CCA was repealed as of April 2022. The MRTA also provides for the transfer of authority over medical cannabis from the New York Department of Health ("NYDOH") to the CCB and the OCM.

On December 14, 2022, the CCB filed proposed regulations for the New York adult-use cannabis market, including the rules governing, among other things, ROs' transition to the adult-use market. More specifically, the proposed regulations prescribed that one-time fees related to an RO's transition to New York's adult-use cannabis market could be approximately \$19,000,000 in total, including \$5,000,000 payable upon entry into the adult-use wholesale market, with another \$5,000,000 payable in stages over a five-year period, and \$3,000,000 payable for each co-located medical and adult-use dispensary (maximum of three allowed, but the co-location cannot occur until December 29, 2025, which is three years from the first legal sale of adult-use cannabis in New York State). The proposed regulations also included a significant number of other rules governing the ROs as well as other aspects of the adult-use market. The Company, through Etain, submitted extensive comments on the proposed regulations as part of the 60-day public comment period, which closed on February 13, 2023.

On May 11, 2023, the CCB approved revised proposed regulations for the New York adult-use cannabis market, incorporating feedback from the prior public comment period. As noted above, under the revised regulations, the one-time fee related to an RO's transition to New York's adult-use cannabis market is approximately \$20,000,000 in total (exclusive of application fees), with \$5,000,000 payable when an RO receives its ROD (as defined above) license, with another \$5,000,000 payable within 180 days of opening its second co-located dispensary (with the first co-location permitted not sooner than December 29, 2023, which is one year from the date of the first legal sale of adult-use cannabis in the State of New York, and the remaining two stores no sooner than June 29, 2024), \$5,000,000 payable within 30 days of achieving \$100,000,000 in revenue from its ROD license, and \$5,000,000 payable within 30 days of achieving \$200,000,000 in revenue from its ROD license. Notably, the balance of the \$20,000,000 special licensing fee reference above must be paid by December 31, 2033 even if the triggering events above are not achieved unless aggregate New York State cannabis retail and wholesale revenues are less than \$20 billion, in which case the fee obligation sunsets. Under the proposed regulations, if an ROD license expires or is otherwise, revoked, cancelled, or abandoned before December 31, 2033, the ROD must still pay the remainder of the \$20,000,000 special licensing fee. As with the initial proposed regulations, the revised regulations included a significant number of other rules governing the ROs as well as other aspects of the adult-use market. It is expected that the proposed regulations will

either be modified by the OCM and reissued for another public comment period or finalized and approved by the CCB substantially in their current form.

On February 22, 2023, the OCM issued final regulations to govern medical cannabis and replace the former medical regulations promulgated by the NYDOH.

The OCM has also:

- Released Laboratory Testing Regulations (Part 130) effective as of March 22, 2023.
- Released a revised version of the Packaging, Labeling, Marketing and Advertising Regulations (Part 128 and 129), which was made effective March 22, 2023.
- Issued final Personal Home Cultivation of Medical Cannabis regulations (Part 115), which became effective on October 5, 2022.
- Awarded over 130 Conditional Adult-Use Retail Dispensaries (“CAURDs”) licenses, which are the first retail dispensaries to open for adult-use cannabis sales in New York State and are intended to be issued to applications meeting certain social equity and justice involved criteria further outlined in guidance issued by the OCM. On December 29, 2022, the first CAURD licensee began operating and conducted the first adult-use retail cannabis sale in New York State.

Etain is currently regulated under New York State law related to medical cannabis. Etain has received licenses to cultivate and manufacture cannabis products, and to sell those products to individuals who have been prescribed medical marijuana and who have appropriate identification cards issued by New York State. The cultivation, manufacture, and sale must occur on the licensed premises. Etain currently has four operating dispensaries in New York (notably, under the MRTA, Etain can expand to a maximum of eight dispensaries statewide with a maximum of three permitted to co-locate for medical and adult-use sales). Under New York State law, certain licensed medical dispensaries may be permitted to sell adult-use cannabis products, subject to the timelines discussed above, once final regulations have issued.

Please refer to “*Compliance Program and Procedures*” below for information regarding Etain LLC’s compliance program and procedures.

New York Operations

Please refer to “*Description of Business – Company Overview– U.S. Cannabis Platform – New York: Etain*” for additional information regarding Etain LLC’s operations, products and brands.

New York Licenses

The NYDOH has issued licenses to eleven ROs which hold vertically integrated licenses. Each RO has one cultivation/processing license and four dispensary licenses. Under the MRTA, the authority to renew existing licenses and to issue new licenses has transferred from the NYDOH to the OCM.

The New York cultivation, processing, and dispensary licenses are valid for two years from the date of issuance and license holders are required to submit a renewal application not more than six months nor less than four months prior to expiration. Etain submitted its application for renewal of its cannabis licenses on May 1, 2023. License holders must ensure that no cannabis is sold, delivered, transported or distributed by a producer to or from a location outside of New York State.

While Etain LLC’s compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that New York cannabis licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned New York cannabis operations and could have a material adverse effect on the business, financial condition and results of operations of the Company and Etain.

The table below lists Etain LLC’s active and pending OCM licenses:

License Number	City/County	Expiration Date	Description
MM0401M	Chestertown	07/31/2023	Acquiring, possession, manufacture, sale, transporting, and distributing medical cannabis
MM0403D	Kingston	07/31/2023	Acquiring, possession, sale, transporting, distributing, dispensing and delivery of medical cannabis
MM0404D	Yonkers	07/31/2023	Acquiring, possession, sale, transporting, distributing, dispensing and delivery of medical cannabis
MM0405D	Syracuse	07/31/2023	Acquiring, possession, sale, transporting, distributing, and dispensing medical cannabis
MM0407D	Manhattan	07/31/2023	Acquiring, possession, sale, transporting, distributing, dispensing and delivering medical cannabis
OCM-HMPD-22-00028	New York	02/09/2024	Cannabinoid Hemp Distributor Permit
OCM-HMPR-22-00108	Manhattan Kingston Yonkers Syracuse	02/24/2024	Cannabinoid Hemp Retail License
OCM-HMPE-23-00046	Chestertown	02/16/2025	Cannabinoid Hemp Processor – Extracting & Manufacturing License

New York Record-Keeping and Reporting

The OCM uses the BioTrack THC T&T system to track commercial cannabis activity, although the State of New York is transitioning to an updated version of BioTrack later this year. Each month, each RO is required to file reports with the OCM which provides information showing all products dispensed during the month. All other data shall be pulled from the BioTrack THC T&T system. The data must include (a) documentation, including lot numbers where applicable, of all materials used in the manufacturing of the approved medical cannabis products to allow tracking of the materials, including but not limited to, soil, soil amendment, nutrients, hydroponic materials, fertilizers, growth promoters, pesticides, fungicides, and herbicides, (b) cultivation, manufacturing, packaging and labelling production records, and (c) laboratory testing results. The records are required to be maintained for a period of five years.

New York Inventory/Storage

A record of all approved medical cannabis products that have been dispensed must be filed with the OCM by ROs electronically through the BioTrack THC T&T System no later than 24 hours after the cannabis was dispensed to a certified patient or designated caregiver. The information filed must include (a) a serial number for each approved medical cannabis product dispensed to the certified patient or designated caregiver, (b) an identification number for the RO’s dispensing facility, (c) the patient’s name, date of birth and gender, (d) the patient’s address, (e) the patient’s registry identification card number, (f) the date the medical cannabis product was dispensed by the dispensing site, (g) the metric quantity for the medical cannabis product, (h) the medical cannabis product identifier code number, (i) the

number of days' supply dispensed, (j) the certifying practitioner's DEA number, (k) the date the written certification was issued by the certifying practitioner, and (l) the payment method.

All cannabis that is not part of a finished product must be stored in a secure area or location within the RO and be accessible only to a minimum number of employees essential for efficient operation and in such a manner as approved by the OCM in advance, to prevent diversion, theft or loss and against physical, chemical and microbial contamination and deterioration. Cannabis must be returned to its secure location immediately after completion of manufacture, distribution, transfer or analysis.

New York Security

All facilities operated by a RO, including any manufacturing facility and dispensing facility, must have a security system to prevent and detect diversion, theft or loss of cannabis and/or medical cannabis products. The security system must utilize commercial grade equipment which includes a perimeter alarm and a failure notification system that provides an audible text or visual notification of any failure in the surveillance system. Manufacturing and dispensing facilities must direct cameras at all approved safes, vaults, dispensing areas, cannabis sales areas and any other area where cannabis is manufactured, stored, handled, dispensed or disposed of. Manufacturing and dispensing facilities must angle the cameras to allow for the capture of clear and certain identification of any person entering or exiting the facilities. The surveillance cameras must record during hours of operation and at any time that cannabis or medical cannabis products, in any form, are being handled, and motion activated recordings at all other times. Recordings from all surveillance cameras must be readily available for immediate viewing by a New York State authorized representative upon request and must be retained for at least 60 days. A RO must test the security and surveillance equipment no less than semi-annually at each manufacturing and dispensing facility that is operated under the RO's registration. Records of security tests must be maintained for five years.

New York Transportation

Cannabis products must be transported in a locked storage compartment that is part of the vehicle transporting the cannabis and in a storage compartment that is not visible from outside the vehicle. An employee of a RO, when transporting approved medical cannabis products, must (a) travel directly to his or her destination(s) and may not make any unnecessary stops in between, (b) ensure that all approved medical cannabis product delivery times are randomized, (c) possess a copy of the shipping manifest at all times when transporting or delivering approved medical cannabis products, (d) keep the shipping manifest for a minimum of five years, and (e) ensure that the transport team members have the ability to communicate with employees of the RO at all times that the vehicle contains medical cannabis products.

New York Inspections

A medical cannabis facility in New York must make its books, records and manufacturing and dispensing facilities available to the OCM or its authorized representatives for monitoring, on-site inspection, and audit purposes, including but not limited to, periodic inspections and/or evaluations of facilities, methods, procedures, materials, staff and equipment to assess compliance with requirements of New York State law.

If any deficiencies are identified by the inspection, such deficiencies must be documented in a statement of findings issued by OCM. The registered organization then has 15 days from the issue date of the statement of findings to submit a written plan of correction.

U.S. Attorney Statements in New York

To the knowledge of management of the Company, other than as disclosed elsewhere in this AIF, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in New York. See "*Risk Factors – Risks Related to U.S. Cannabis Operations – Cannabis is a Controlled Substance in the U.S.*" for further details.

Compliance Program and Procedures

Prior to the Etain Acquisition, the Company did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. In light of the Etain Acquisition, the Company continues to develop its internal

compliance and standard operating procedures on this topic, which will be fully integrated with the extensive state-approved standard operating procedures and compliance policies and programs Etain LLC has in place. In entering into the Etain Purchase Agreements, the Company conducted appropriate diligence to confirm that Etain has internal policies and procedures to maintain compliance with applicable state laws and as to current compliance. The Etain Purchase Agreements included appropriate representations as to current compliance.

Etain LLC has in place comprehensive standard operating procedures and policies, which are compliant with the applicable state and local laws, regulations, ordinances, and other requirements. Etain LLC ensures adherence to standard operating procedures by regularly conducting internal compliance inspections and assessments and is committed to ensuring any issues identified are resolved quickly and thoroughly. As part of Etain LLC's cannabis license renewal application, submitted to OCM on May 1, 2023, Etain submitted updated standard operating procedures and compliance policies. The Company and Etain continue to monitor and update these policies and protocols as changes are made.

While the Company believes that Etain LLC is currently in compliance with New York State rules, regulations and license requirements, there are significant risks associated with its business and the business of its contractual parties. Further, the rules and regulations as outlined above are not a full complement of all the rules that Etain LLC is required to follow in the state of New York. Etain LLC monitors, and the Company will monitor, the applicable rules and regulations of the state of New York as well as correspondence and changes to, and updates of, rules or regulatory policies impacting Etain LLC in the state of New York. The Company and Etain LLC have engaged New York State and local regulatory/compliance counsel to assist in evaluating compliance of applicable requirements, and Etain LLC has a compliance department to monitor and implement applicable requirements.

Etain LLC has no non-compliance citations or notices of violation which would be expected to have a material impact on its licenses, business activities or operations.

In addition, Etain LLC has a comprehensive training program that emphasizes, among other things, the importance of compliance with state and local laws and security and inventory control.

In order to comply with industry best practices, Etain LLC performs, amongst other things, the following:

- Ensure the operations are compliant with all licensing requirements that are set forth with regards to cannabis operation by New York State.
- Ensure the activities relating to cannabis business adhere to its New York State licensing requirements.
- Etain LLC functions within the New York State regulatory environment, which imposes a range of requirements and strict regulatory oversight aimed at ensuring, as do Etain's business policies and practices, sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises, gangs and cartels.
- Ensure Etain LLC's products and product packaging are in compliance with applicable regulations and contain required disclaimers regarding such products.

While Etain LLC strives, and the Company will strive, to ensure that operations are in compliance with New York State laws, regulations and licensing requirements, some of such activities remain illegal under U.S. federal law. For the reasons described above and the risks further described in "*Risk Factors – Risks Relating to the Company's Business and Industry – Risks Associated with Compliance with Cannabis Laws, Regulations and Guidelines*", "*Risk Factors – Risks Related to U.S. Cannabis Operations – Risks Associated with U.S. Cannabis Regulatory Requirements*" and other risks described below, there are significant risks associated with the business of Etain (and the Company).

Access to Public and Private Capital

Given the illegality of cannabis under U.S. federal law, the Company's access to capital could be negatively affected by public and/or private capital not being available to support continuing operations or future investment opportunities.

To date, the Company has been able to access equity financing through public and private markets in Canada, and debt financing through the Convertible Notes. At present, management believes that capital availability could change without notice, requiring the Company to operate solely on currently available and internally generated funds.

There can be no assurance that additional financing will be available to the Company when needed or on terms that are acceptable to the Company. The Company's inability to raise financing to fund its capital expenditures and execute on its investment strategy could limit its growth and may have a material adverse effect upon future profitability.

Specialized Skill and Knowledge

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and the Board. The Company's future success depends on its continuing ability to attract, develop, motivate, and retain such personnel. Qualified individuals, including those with knowledge and experience in the investment and cannabis industries, are in high demand and the Company may incur significant costs to attract and retain them.

Competitive Conditions

As the cannabis market continues to mature, the entry of new competitors may also increase the level of competition in the cannabis market as a whole, including for entities like the Company that pursue investment and acquisition opportunities in the U.S. cannabis sector. As presently constituted, domestic and international companies in the cannabis industry face a number of obstacles in securing appropriate growth capital and strategic support, particularly in light of the COVID-19 pandemic. The Company's business strategy is to create shareholder value through the continued deployment of strategic capital throughout the global cannabis sector. However, as opportunities continue to arise as a result of regulatory developments internationally, there is potential that the Company will face intense competition from other companies, some of which may have longer operating histories and greater financial resources. In particular, as the cannabis industry matures, additional sources of capital may become available to companies in the sector. This could have a negative impact on the Company's business strategy as potential investees or acquisition targets may seek alternative transactions or forms of financing, including, among others, traditional debt financing. In addition, maturation of the cannabis industry will likely result in the participation of additional institutional investors, which may reduce the current financing constraints faced by domestic and international companies in the cannabis industry and may impact the competitive environment in which the Company currently operates. The participation of new investors in the cannabis industry will also increase the supply of capital available to companies in the sector, which may increase the valuations at which the Company is able to invest and have a negative impact on the potential returns on investment available to the Company.

Similarly, as competition for the Company increases, Investees and Etain will also face increased competition from other companies, some of which can also be expected to have longer operating histories and greater financial resources.

Competitive factors may also result in the Company being unable to enter into desirable arrangements for new investments and/or acquisitions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments and/or acquisitions. See "*Risk Factors – Risks Relating to the Company's Business and Industry – Competition Risks*" for additional information.

Intangible Properties

The Company, Etain and the Investees own and/or use trademarks, brands, domain names and other intangible assets that are important to their success. The Company, Etain and the Investees, as applicable, have taken measures to protect, renew and defend such trademarks. If the Company, Etain or the Investees, as applicable, are not successful in protecting, renewing or defending its intangible assets it could have a negative impact on the Company's business. See "*Risk Factors – Risks Related to U.S. Cannabis Operations – Intellectual Property Risks*" and "*Risk Factors – Risks Relating to the Businesses of the Investees and, as applicable, Etain – Intellectual Property Risks*" for additional information.

Changes to Contracts

The Company engages in ongoing dialogue with Etain and the Investees regarding, among other things, developments in the businesses of Etain and the Investees and their relationships with the Company. As a result of 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.

On April 29, 2022, the Company and Greenhouse Juice amended certain terms of the senior secured convertible debenture agreement in connection with the Greenhouse Secured Debenture and on June 20, 2022, the Company disposed of all financial instruments it held in Greenhouse Juice. Upon disposition, the Company received cash consideration of \$4,260,000 (C\$5,500,000), which was allocated among the respective underlying instruments in accordance with the sale agreement.

On April 21, 2022, the Company and High Beauty amended certain terms of the High Beauty Notes and on July 21, 2022, High Beauty completed the initial closing of a financing round that triggered automatic conversion mechanisms pursuant to the High Beauty Note. Accordingly, the principal amount of \$750,000 that the Company had advanced to High Beauty pursuant to the High Beauty Note and accrued interest thereon converted into an additional 1,000,017 preferred shares of High Beauty.

Employees

As of March 31, 2023, the Company employed 22 individuals and Etain LLC employs 72 individuals. As of the date of this AIF, the Company employs 23 individuals, and Etain LLC employs 73 individuals.

U.S. Operations

The Company evaluates investments in, or acquisitions of, established operating businesses in the U.S. cannabis market. As at March 31, 2023, the majority of the Company's business was directly derived from U.S. cannabis-related activities. As such, the Company's balance sheet and operating statements exposure to U.S. cannabis-related activities for periods following the Etain Acquisition is nearly 100%. In light of the Etain Acquisition and the agreements referenced under the heading "*Corporate Structure – Intercorporate Relationships*", following the Initial Etain Closing, the Company (through Etain) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice.

Lending

The Company's lending activities are limited to convertible debentures and notes with Investees, such as the convertible debenture issued to NOYA. The Company does not currently anticipate any further lending activities in respect of the Investees.

Bankruptcy and Similar Procedures

Other than as described in this AIF, there have been no bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Company or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

RISK FACTORS

An investment in the securities of the Company is speculative, involving a high degree of risk. In addition to the other information contained in this AIF and risks outlined in the Company's other public filings, the risk factors described below should be considered carefully. The events arising from these risks could materially adversely affect the Company's business, financial condition, results of operations or prospects. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Additional risks not currently known to the Company, or which are deemed to be immaterial, may also impair the business operations, financial condition, or prospects of the Company.

Marijuana is illegal under U.S. federal law and enforcement of relevant laws is a significant risk. Readers are strongly encouraged to carefully read all risk factors contained in this section.

Risks Relating to the Company's Business and Industry

Business Strategy and Growth-Related Risk

The Company may be subject to growth-related risks as its business strategy involves seeking new investment and/or acquisition opportunities in the global cannabis industry, with a focus on opportunities in the U.S. cannabis market. Furthermore, the Etain Acquisition was the first step in the execution of the Company's strategy, shifting from an investor in the cannabis value chain to a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. Prior to the Etain Acquisition, the Company had little or no direct operating experience in the U.S. cannabis sector. The Company's shift in business strategy has required and will continue to require the Company to implement and improve its operational and financial systems and to train and manage its employee base, which could place a significant strain on the Company's management, operations, financial resources and internal financial control and reporting functions. There can be no assurance that the Company will be able to respond adequately or quickly enough to the changing demands that the shift in strategy will impose on management, employees and existing infrastructure. Changes to the operating structure of the Company may result in increased costs or inefficiencies that cannot be anticipated. As a result, the shift in business strategy may be less successful than expected or may take longer to implement and reach expected profit levels, or may never do so, thereby affecting the Company's overall growth and profitability.

In the pursuit and execution of such opportunities, the Company may fail to select appropriate investment and/or acquisition candidates and/or fail to negotiate beneficial or advantageous contractual arrangements. The Company cannot provide any assurance that any business arrangements completed, including the Etain Acquisition, will ultimately benefit the Company.

Risks Associated with the Contractual Arrangements with Etain LLC

The Company does not own a direct equity interest in Etain LLC, but has financial control over Etain LLC through a number of agreements that have been entered into between the Company's subsidiaries and Etain LLC. These agreements prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the expected economic benefits that the Company expects to derive from the relationship with Etain LLC.

Given the nature of these arrangements, the Company is dependent on Etain LLC to comply with the terms of these arrangements. To the extent Etain LLC breaches any of the contractual provisions applicable to it, or the contractual arrangements fail to provide the expected benefits, the Company's business may be negatively impacted, and the market price of the Common Shares may be materially adversely affected.

Acquisition and Integration Risks

The Company's business strategy involves investing in and/or acquiring businesses operating in the global cannabis industry, with a focus on opportunities in the U.S. cannabis market. Any future acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating and financial risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Among other potential risks, the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships; and the acquired business or assets may have unknown liabilities which may be significant.

Additionally, in the event that the Company chooses to raise debt capital to finance any future acquisitions, the Company's leverage will be increased. If the Company chooses to use equity as consideration for any such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition

with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Finally, while the Company conducts due diligence with respect to the acquisition of businesses and assets, there may be liabilities or risks that the Company failed, or was unable, to discover in the course of performing its due diligence investigations, which may be significant. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with being a Holding Company

The Company is a holding company and all or substantially all of its assets are comprised of cash or cash equivalents and the shares or capital stock of its subsidiaries, and its investments in the Investees. As a result, investors in the Company are subject to the risks attributable to the Company's subsidiaries, including Etain and the Investees (as further described below under "*Risk Factors – Risks Relating to the Businesses of the Investees and, as applicable, Etain*"). Consequently, the Company's cash flows and ability to complete current or desirable future opportunities are dependent on the earnings of its subsidiaries and the Investees. The ability of these entities to, as applicable, pay dividends and other distributions, royalties or payments on debt instruments will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such entities and contractual restrictions contained in the instruments governing their debt.

Furthermore, in the event of a bankruptcy, liquidation, or reorganization of the Investees or any of the Company's subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those Investees or subsidiaries before the Company.

Risks Associated with Compliance with Cannabis Laws, Regulations and Guidelines

The Company's, Etain's and the Investees' respective operations are subject to various laws, regulations and guidelines that may change over time. Any amendment to or replacement of the Cannabis Act, the MRTA or other applicable rules and regulations governing the respective activities of the Company, Etain or the applicable Investees may cause adverse effects on the Company's, Etain's or such Investees' business, financial condition and results of operations. The risks to the respective businesses of the Company, Etain and the applicable Investees associated with any amendment or replacement of the Cannabis Act or the MRTA, or any subsequent regulatory changes in Canada or the U.S., could reduce the available market for the respective products or services of Etain or such Investees and could materially and adversely affect the business, financial condition and results of operations of the Company. In addition, global cannabis regulatory reform may not occur as anticipated or at all, which could negatively impact the Company's investment opportunities and ability to fulfill its investment objectives.

The Company has implemented governance processes and endeavours, or will endeavour, to cause Etain and the Investees to comply with all relevant laws, regulations and guidelines at all times. Although Etain and some of the Investees are contractually required to comply with laws pursuant to their agreements with the Company, certain Investees are not subject to such requirements, and in any event these contractual obligations do not guarantee compliance by Investees. In the event that Etain or an Investee is discovered not to be in compliance with laws, the Company may be limited in its recourse against Etain or such Investee. In addition, Etain and the Investees may not maintain internal policies and procedures adequate to ensure compliance with the various laws, regulations and guidelines to which they are subject.

There is also a risk that the Company's, Etain's and/or the Investees' interpretation(s) of laws, regulations and guidelines, including, but not limited to, the Cannabis Act, the MRTA, their associated regulations, various U.S. state regulations and applicable stock exchange rules and regulations, may differ from those of others, including those of government authorities, securities regulators and exchanges, and the Company's, Etain's and the Investees' operations may not be in compliance with such laws, regulations and guidelines. In addition, the Company, Etain or the Investees, while they may be compliant today, may not be compliant following changes to any laws, regulations or guidelines. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, and the impact of any delays in obtaining or failures to obtain regulatory approvals required by the Company, Etain or the Investees may significantly delay or impact the development of the Company's,

Etain's or the Investees' respective businesses and operations and could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, any potential non-compliance could cause the business, financial condition and results of operations of the Company to be adversely affected.

In particular, Etain is currently regulated under New York state law related to medical cannabis. Under New York State law, licensed medical dispensaries are permitted to sell adult-use cannabis products in accordance with the final medical regulations, which were approved by CCB on February 22, 2023.. However, there is no guarantee that such regulations, as enacted, will create the growth opportunities that the Company and Etain currently anticipate. Furthermore, there is no assurance that New York state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of New York state laws within their respective jurisdictions. For example, while only eleven ROs currently hold vertically integrated licenses in the state of New York, there can be no guarantee that the value that the Company and Etain ascribe to this license will not be diminished as a result of additional license issuances or other regulatory changes by the OCM, CCB, or any other applicable regulatory body in the future, which changes may materially impact the commercial and/or economic value of the existing vertically integrated licenses. While the impact of changes to the regulatory framework in the state of New York is uncertain at this time, any of the foregoing, including the issuance of additional licenses, could result in a material adverse effect on Etain LLC's and the Company's business, financial condition and results of operations.

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

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

No Control over Operations of Investees

The Company may not be directly involved in the ownership or operation of and may have no or limited contractual rights relating to the operations of its Investees. The Investees will generally have the power to determine the manner in which their businesses are developed, expanded and operated. The interests of the Company and the Investees may not always be aligned. As a result, the cash flows of the Company from royalties, debt instruments or otherwise will be dependent upon the activities of the Investees, which creates the risk that at any time those Investees may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend an Investee's ability to perform its obligations under agreements with the Company.

There can be no assurance that the Investees involved in the production of cannabis will ultimately meet forecasts or targets. Payments to the Company, in certain instances, will be calculated by the Investees based on reported production, and such payments are subject to, and dependent upon, the adequacy and accuracy of the operators' production and accounting functions. The Company must rely on the accuracy and timeliness of the disclosure and other information it receives from the Investees. If the information contains material inaccuracies or omissions, the Company's ability to accurately forecast, fulfill its reporting requirements or achieve its stated objectives may be materially impaired. Failure to receive the Company's entitlements pursuant to the agreements it has entered into with Investees may have a material adverse effect on the Company.

Restrictions on Use of Proceeds from Investments from The Hawthorne Collective

The terms of the Convertible Notes provide that the proceeds from any investments received from The Hawthorne Collective pursuant to the Convertible Notes cannot be used to engage in any activities that are illegal in any jurisdiction in which the Company is domiciled or qualified to do business (including investing directly in cannabis or cannabis-related operations in the U.S.). The Company intends to use any such proceeds for permissible uses. Although the Company anticipates that there are a number of permissible uses for these funds, if the Company is unable to deploy its capital to continue developing its U.S. platform, there is a risk that the Company will not be able to fully execute its go-forward strategy.

Covenants under the Hawthorne Investments

While the Convertible Notes are outstanding, the Company will be subject to certain covenants that restrict, among other things, the ability of the Company to: (i) make amendments to its constituting documents; (ii) increase or decrease the size of the Board; (iii) incur indebtedness in excess of \$100,000,000; (iv) create, issue, transfer, or distribute securities to any person or entity that would result in The Hawthorne Collective owning less than 20% of the Common Shares (on an as exchanged and partially-diluted basis); (v) change its domicile or place of incorporation; (vi) change its stock exchange listing to an exchange other than the CSE or voluntarily delist its securities entirely; or (vii) make any fundamental changes, such as merging into or amalgamating or consolidating with any other person or entering into a proposed change of control transaction, in each case, without the consent of The Hawthorne Collective (not to be unreasonably withheld, conditioned, or delayed) and subject to certain exceptions contained in the documentation governing the Hawthorne Investments.

A failure to comply with the obligations related to the Hawthorne Investments could result in an event of default which, if not cured or waived, may result in the acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Company will generate cash flows in amounts sufficient to pay such indebtedness or to fund any other liquidity needs.

In addition, pursuant to The Hawthorne Collective's "top-up" option under the Initial Note Purchase Agreement, The Hawthorne Collective may, in its discretion, purchase additional convertible notes from the Company, with the conversion price of any such note established in connection with such purchase. The purchase of any convertible note, and the related conversion price, may occur at a time when the Company believes the trading price of its Common Shares may not accurately reflect the Company's prospects, which would result in dilution to the holders of the Common Shares at a conversion price that the Company would not necessarily have independently determined to pursue at that time.

The Hawthorne Collective may Exercise Significant Influence

The Convertible Notes each bear interest on the principal amount at a rate of approximately 2% for the first two years that each Convertible Note is outstanding, following which no interest will accrue for the remainder of the term. Assuming full conversion of each of the Convertible Notes into Common Shares, including the full amount of the anticipated accrued interest over the life of each of the Convertible Notes, The Hawthorne Collective would be entitled to receive 103,224,782 Common Shares with respect to the Convertible Note I and 19,722,524 with respect to the Convertible Note II, representing approximately 40% and 8%, respectively, of the Company's outstanding shares on a partially diluted basis based on the basic shares outstanding as of the date hereof. Additionally, The Hawthorne Collective has a "top-up" option to purchase additional promissory notes to increase its pro-rata ownership of the Company on a partially-diluted basis, to a maximum of 49% of the Common Shares outstanding, on substantially the same terms as the Convertible Note I and at a conversion price equal to the greater of: (i) the market price of the Common Shares at the close of trading on the day immediately prior to The Hawthorne Collective providing notice of its election to exercise its top-up option, and (ii) the lowest conversion price permitted by the rules of the CSE or such other principal stock exchange on which such Common Shares are listed without the requirement for the Company to obtain security holder approval.

As of the date of this AIF, The Hawthorne Collective would be the Company's single largest shareholder upon conversion of the Convertible Notes. Subject to certain protections contained in the Hawthorne Investor Rights

Agreement, The Hawthorne Collective would have the ability to substantially influence matters affecting shareholders or requiring shareholder approval, including the election of directors, amendments to the articles and bylaws of the Company, and the determination of significant corporate actions.

In addition, pursuant to the Hawthorne Investor Rights Agreement, The Hawthorne Collective has certain nomination rights, including the right to nominate up to three directors on the Board currently and up to four directors on an expanded nine-person Board commencing on the Initial Designation Date. The Hawthorne Collective's nomination rights remain in effect so long as The Hawthorne Collective and its affiliates beneficially own at least 33% of the outstanding Common Shares (on an as exchanged basis). If the beneficial ownership (on an as exchanged basis) of The Hawthorne Collective and its affiliates drops: (i) below 33% (but not less than 20%), or (ii) below 20% (but The Hawthorne Collective and its affiliates continue to beneficially own at least 60% of either the original principal amounts of the Convertible Notes or the Common Shares into which the original principal amount of the Convertible Notes was convertible), the number of nominees The Hawthorne Collective will be entitled to nominate following the Initial Designation Date will be reduced to three and two, respectively.

There can be no assurance that the interests of The Hawthorne Collective or its affiliates will align with the Company's interests or the interests of other shareholders. In addition, such influence could limit the price that an acquirer might be willing to pay in the future for the Company, which may have the effect of delaying or preventing a change of control of the Company, such as an arrangement, amalgamation or take-over bid. The Hawthorne Collective's significant interest in the Company may also impact the liquidity of the Common Shares. The Common Shares may be less liquid and trade at a discount relative to the trading that could occur in circumstances where The Hawthorne Collective did not have the ability to significantly influence or determine matters affecting the Company.

Risks Associated with Potential Business Opportunities Presented by The Hawthorne Collective

The Hawthorne Investor Rights Agreement provides that The Hawthorne Collective, on its own behalf and on behalf of its affiliates (including ScottsMiracle-Gro and The Hawthorne Gardening Company), is to present certain business opportunities in the cannabis sector to the Company and to pursue such opportunities with the Company in accordance with the terms of the Hawthorne Investor Rights Agreement. If, however, the Company rejects any business opportunities presented to it by The Hawthorne Collective or its affiliates, The Hawthorne Collective and its affiliates may pursue such opportunities independent of the Company, subject to the restrictions contained in the Hawthorne Investor Rights Agreement. Where such rejected opportunities involve a cannabis or cannabis-related business that is competitive with or similar to the business of the Company, the Company's ongoing relationship with The Hawthorne Collective may be adversely affected.

Risks Associated with the Conversion of the Convertible Notes

Subject to obtaining all applicable regulatory approvals, the Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion upon the later of: (i) August 24, 2023, and (ii) the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027. The Convertible Note II may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion at any time after the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027. The conversion of the Convertible Notes is subject to a number of conditions precedent, some of which are outside of the control of the Company, including receipt of any required regulatory approvals (including under the *Competition Act* (Canada) and/or the *U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976*), stock exchange approvals, and other conditions set out in the terms of the Convertible Notes.

There can be no certainty, nor can the Company provide any assurance, that the conditions precedent to allow the Company to force the conversion of the Convertible Notes will be satisfied, or that all conditions precedent to the conversion of the Convertible Notes themselves will be satisfied or waived, nor can there be any certainty of the timing thereof. In the event that the Convertible Notes are not converted on or prior to their respective maturity date, the Company will be required to repay all indebtedness owing under the Convertible Notes, including all principal and interest thereon. There can be no assurance that the Company will be able to refinance such indebtedness or that additional financing on commercially reasonable terms will be obtained, if at all. In the event that the Convertible

Notes cannot be refinanced, or if they cannot be refinanced except on terms that are less favourable than the current terms, the Company's ability to carry on business could be materially adversely affected, which could negatively impact the market price of the Common Shares.

Risks of Loss of Foreign Private Issuer Status

The Company may in the future lose foreign private issuer status, which could result in significant additional costs and expenses. The Company will lose its foreign private issuer status if a majority of the Common Shares are held by persons that are residents or citizens of the U.S. and the Company fails to meet any of the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (i) a majority of the Company's directors or executive officers are U.S. citizens or residents; (ii) a majority of the Company's assets are located in the U.S.; or (iii) the Company's business is administered principally in the U.S. If the Company loses its foreign private issuer status, it will be required to register its Common Shares under Section 12(g) of the Exchange Act and comply with U.S. regulatory provisions relating to U.S. domestic issuers if on the last day of the Company's fiscal year, the Common Shares are "held of record" (as such term is defined under Rule 12g5-1 under the Exchange Act) by either (a) 2,000 persons or (b) 500 persons who are not "accredited investors" (as such term is defined under Rule 501(a) under the Exchange Act).

The regulatory and compliance costs to the Company under U.S. securities laws as a U.S. domestic issuer would be greater than the costs incurred as a Canadian foreign private issuer. If the Company is not a foreign private issuer and were required to register the Common Shares under Section 12(g) of the Exchange Act, it would need to begin preparing financial statements in compliance with U.S. Generally Accepted Accounting Principles rather than International Financial Reporting Standards, would not be eligible to use foreign issuer forms, and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the Securities and Exchange Commission, which are generally more detailed and extensive than the forms available to foreign private issuers.

The Company will be required to test whether it qualifies as a foreign private issuer as of September 30, the end of the Company's second fiscal quarter, each year and the Company may no longer qualify as a foreign private issuer at that time. If the Company determines that it is no longer qualified as a foreign private issuer as at September 30 in any year and also determines as at March 31 of that year (the last day of the Company's fiscal year) that it is required to register its Common Shares under the Section 12(g) of the Exchange Act, the Company will not be eligible to use forms and rules designated for foreign private issuers beginning on April 1 of the following fiscal year.

Competition Risks

As the adult-use cannabis market continues to mature, consumers that once solely relied on the medical cannabis market may shift some, or all, of their consumption away from medical cannabis and towards adult-use cannabis, resulting in increased levels of competition in the medical cannabis market. As the adult-use cannabis market continues to mature, the entry of new competitors may also increase the level of competition in the cannabis market as a whole. This increase in competition may have a negative impact on the Company, Etain and/or the Investees.

There is potential that the Company, Etain and the Investees will face intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources. Increased competition from larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company, Etain and the Investees. Certain of Etain's, and the Investees' competitors with longer operating histories may be further advanced in the licence application process and may have already secured licensing for significant amounts of production. The ability of Etain and/or the Investees to increase and/or maintain their production or other relevant business capacity, enter into supply agreements or develop sales channels is uncertain. In the Canadian market, certain Investees may not be able to find buyers for their production in jurisdictions where provincial agencies will be responsible for the sale of cannabis and, even if they are able to enter into supply agreements with provincial agencies, they may not be able to negotiate favourable prices. If Etain and/or the Investees are unable to achieve their business objectives, such failure could materially and adversely affect the business, financial condition and results of operations of the Company. Moreover, competitive factors may result in the Company being unable to enter into desirable arrangements with new Investees or additional acquisition targets in the U.S. cannabis industry, to recruit or retain qualified employees or to acquire the capital necessary to fund its capital

investments. Etain and/or the Investees may also face competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid licence. Existing or future competition in the cannabis industry could materially adversely affect the Company's prospects for providing growth capital for Etain and/or to the Investees in the future.

As the cannabis industry continues to mature, additional sources of capital may become available to cannabis companies. This could have a negative impact on the Company's business strategy, as potential investees and acquisition targets in the U.S. cannabis industry may seek alternative forms of financing, including, among others, traditional debt financing. In addition, maturation of the cannabis industry will likely result in the participation of additional institutional investors, which may reduce the current financing constraints faced by Canadian, U.S. and international companies in the cannabis industry and may impact the competitive environment in which the Company currently operates. The participation of new investors in the cannabis industry will also increase the supply of capital available to companies in the sector, which may increase the valuations at which the Company is able to invest in or acquire and have a negative impact on the potential returns on investment available to the Company.

The legal landscape for medical and adult-use cannabis is also changing internationally. More countries have passed laws that allow for the production and distribution of medical cannabis in some form or another, and some of these countries may pass laws allowing for the production and distribution of adult-use cannabis as well. Increased international competition could materially adversely affect the Company's, Etain's and the Investees' business, operations or growth prospects.

Reputational Risk

The Company believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future research, findings, regulatory proceedings, litigation, media attention or other publicity will be favourable to the cannabis market or any particular product, or consistent with currently held views. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the cannabis industry and demand for Etain's and Investees' respective products and services, which could affect the business, financial condition and results of operations and cash flows of the Company. The Company's dependence upon consumer perception means that adverse research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the business, financial condition, results of operations and cash flows of the Company.

In addition, parties outside of the cannabis industry with which the Company does business may perceive that they are exposed to reputational or other business risk as a result of the Company's cannabis related business activities. For example, the Company could receive a notification from a financial institution advising it that they would no longer maintain banking relationships with those in the cannabis industry. The Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships that it needs to operate its business. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

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. In addition, the value of the Company's investments in Etain or 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.

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 in this 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.

Risks Associated with Divestment and Restructuring

In certain circumstances, the Company may divest its investment in certain Investees. There is no assurance that these divestitures will be completed on terms favourable to the Company, or at all. Any opportunities resulting from these divestitures, and the anticipated effects of these divestitures on the Company may never be realized or may not be realized to the extent the Company anticipates. Moreover, there is no guarantee that the Company will realize gains on its investments based on the fair value of underlying financial assets or recover its invested capital. In pursuit of opportunities to dispose of any of the Company's investments, third parties may not ascribe similar value to such investments as the Company and the Company may not be able to obtain the value it ascribes to such investments. Not all of the Company's investments are liquid, and such investments may be difficult to dispose of and subject to illiquidity discounts on divestiture.

Risks Related to U.S. Cannabis Operations

Risks Associated with Investing in or Acquiring U.S. Cannabis Businesses

The Company is subject to various risks and uncertainties by investing in and acquiring businesses operating in the U.S. cannabis market, including Etain. Such risks and uncertainties include, among others, navigation of a new, complex and dynamic legal and regulatory environment, the intense competition in the U.S. cannabis market, including with companies with longer operating histories and greater financial resources than the Company, the ability of its investors, directors, officers and/or management to travel without restrictions due to their association with the U.S. cannabis industry, the possibility that investments or acquisitions in the U.S. could become the subject of heightened scrutiny by Canadian regulators, stock exchanges and other authorities and the implications of amending the terms of or replacing existing agreements with the Company's banking institutions, suppliers and other third parties that preclude investment in, or acquisitions of, U.S. cannabis businesses.

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. Please refer to "*Risk Factors - Risks Associated with Accessing Commercial Banking Services and Third-Party Service Providers*" for additional information related to the risks described in this paragraph.

Cannabis is a Controlled Substance in the U.S.

The Company is indirectly involved, through certain Investees, in ancillary activities related to the cannabis industry in the U.S. In addition, Etain LLC is engaged in the cultivation, processing, or distribution of cannabis in the U.S. In the U.S., regulation of cannabis use remains subject to control at both the federal and state levels. While a number of jurisdictions in the U.S. have authorized the cultivation, distribution or possession of cannabis to various degrees and subject to various requirements or conditions, cannabis continues to be categorized as a controlled substance under the CSA and, as such, cultivation, distribution, sale and possession of cannabis violates federal law in the U.S. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors have prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should

ascribe to such cannabis activities and, as a result, it is uncertain how active federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

It remains unclear what specific impact the Biden administration will have on U.S. federal government cannabis enforcement policy, and there is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. 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 laws 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 owners, financiers or equity owners of cannabis-related businesses, then the Company or certain 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.

In addition, under such an aggressive enforcement policy, the Department of Justice could allege that the Company and the Board and, potentially its shareholders, “aided and abetted” violations of federal law by providing finances and services to certain Investees and Etain. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, Etain or certain Investees, and to recover the “illicit profits” previously received by 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.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holdings (directly or indirectly) of interests in certain Investees, the listing of its securities on the CSE or other stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its listed securities. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. For the reasons set forth above, the Company’s investments and operations in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities, in addition to investors with restrictions on their risk exposure to the U.S. cannabis opportunities. Overall, an investor’s contribution to and involvement in the Company’s activities may result in federal civil and/or criminal prosecution, including forfeiture of his or her entire investment.

Notably, as mentioned above, Congress has repeatedly passed a budget “rider” provision known as the Rohrabacher-Farr Amendment (also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce-Leahy” Amendment), which prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis markets. The Rohrabacher-Farr amendment has been in place since 2015 and was most recently reauthorized on December 29, 2022, when President Biden signed PL 117-328, the Consolidated Appropriations Act for fiscal 2023, making the Rohrabacher-Farr amendment effective through September 30, 2023. While similar riders have been proposed to protect existing state enacted adult-use programs, such riders have not yet passed Congress and are not presently in place. There are no assurances that the Rohrabacher-Farr Amendment will continue to be included in future appropriation packages or continuing budget resolutions once the current spending

bill expires, which could result in more aggressive enforcement action from federal agencies including the DEA in a manner that could have a material adverse impact on the Company's business.

Finally, the activities of any businesses that the Company has or will acquire, including Etain, are, and will continue to be, subject to evolving regulation by U.S. governmental authorities. Due to the current regulatory environment in the U.S., new risks may emerge, and management may not be able to predict all such risks.

Risks Associated with Accessing Commercial Banking Services and Third-Party Service Providers

Prior to the Initial Etain Closing, the Company engaged in discussions with its service providers, including its prior auditor and any entities that provide commercial banking services to the Company, whose terms of service prohibit the Company from making investments or acquisitions in the U.S. cannabis market and successfully completed certain required transitions to new service providers prior to the Initial Etain Closing. Notwithstanding the Company's efforts to secure service providers who permit investments and acquisitions in the U.S. cannabis market, the Company, Etain and certain Investees may have difficulty accessing the services of banks and processing credit card payments in the U.S., which may make it difficult for the Company, Etain and these Investees to operate.

In February 2014, the FinCEN issued guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbours or legal defences from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses.

Moreover, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, which includes marijuana, regardless of whether the state it resides in permits cannabis sales. While the United States House of Representatives has repeatedly passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it has never passed the Senate. Unless Congress passes the SAFE Banking Act, the Company's or Etain's inability, or limitations on the Company's or Etain's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, operators in the U.S. may have limited or no access to banking or other financial services in the U.S. and may have to operate their businesses on an all-cash basis. The inability or limitation on to open or maintain bank accounts in the U.S., obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company and/or certain Investees to operate and conduct their businesses as planned in the U.S.

Risks Associated with U.S. Cannabis Regulatory Requirements

Even where cannabis is permitted in the U.S. at the state level, regulations vary from state to state and the Company may not be able to comply with such regulations in a cost-efficient manner, if at all. For example, certain U.S. jurisdictions, including New York State, have *de facto* residency requirements that require investors in cannabis businesses to be a resident of such state or other similar requirements, particularly if the cannabis business in question is one that directly involves the production, sale and distribution of cannabis. Such requirements may prove to be onerous or otherwise impracticable for an issuer to comply with, which may have the result of excluding such investment opportunities from the list of possible transactions that the Company would otherwise consider.

The successful operation of the Etain business and execution of any future acquisition of a business operating in the U.S. cannabis industry is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and ensuring the Company obtains all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing all applicable licenses, permits and authorizations. The commercial cannabis industry is still a relatively new industry, and the Company cannot predict the impact of the compliance regime to which it may be subject in connection with the Company's investments in and acquisitions of companies in the U.S.

cannabis industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for any of the products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company. Without limiting the foregoing, failure to comply with the requirements of any underlying licenses or any failure to maintain any underlying licenses would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantees that any required licenses for the operation of the applicable business will be extended or renewed in a timely manner, if at all, or that if they are extended or renewed, that the licenses will be extended or renewed on the same or similar terms.

2018 Farm Bill Risks

On December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the U.S. Under the 2018 Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The 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 29, 2019, the USDA issued interim final regulations that impose certain testing and other requirements in order to assure that crops to be sold as industrial hemp will meet the statutory limitations. On February 27, 2020, the USDA announced that it 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 FDA retained its authority to regulate products containing cannabis or cannabis-derived compounds, including CBD, under the FDCA and section 351 of the Public Health Services Act. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products sold in interstate commerce, including the marketing of such products, through its enforcement authority pursuant to the FDCA. Because cannabis is federally illegal to produce and sell, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has issued numerous enforcement letters under its FDCA authority with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses.

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 GRAS as ingredients in food, and that CBD and THC were not GRAS. In the guidance, the FDA has taken the position that a food product or dietary supplement containing CBD would be “adulterated” and could not legally be marketed in the U.S. The FDA has continued to issue warning letters to manufacturers of food or dietary supplements that are labeled as including CBD. The FDA has approved one prescription drug containing CBD and has taken the position that no other product can be marketed as containing CBD without approval as a new drug.

There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. Additionally, the 2018 Farm Bill does not legalize “marihuana” (as such term is defined in the CSA), which remains a Schedule I controlled substance under the CSA.

CSA Schedule Classification of Cannabis Risks

As noted above, on October 6, 2022, President Biden announced a series of marijuana-related initiatives which included asking the Secretary of Health and Human Services and the Attorney General “to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law”. The administrative review of how marijuana is scheduled under the CSA would be conducted by the FDA and DEA, but it remains unclear when these agencies will complete their respective reviews and whether such reviews will result in a change in how marijuana is classified under the CSA.

If cannabis or THC or CBD derived from cannabis are re-categorized as Schedule II substances under the CSA or lower controlled substances, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, including the FDA. If cannabis or THC or CBD derived from cannabis were to be rescheduled as federally controlled, yet legal, substances, the FDA and other federal agencies would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA and others to enforce the CSA and FDCA against businesses that comply with state but not federal law.

The potential for multi-agency enforcement post-rescheduling of cannabis could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including Etain and certain Investees of the Company.

Lack of Access to U.S. Bankruptcy Protections

As cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to recover their investments in the cannabis industry in the event of a bankruptcy. If the Company, Etain or any of the Investees were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, Etain or such Investee, which would have a material adverse effect on the Company.

Additionally, there is no guarantee that the Company will be able to effectively enforce its interests in the Investees. A bankruptcy or other similar event related to an investment of the Company that precludes a party from performing its obligations under an agreement may have a material adverse effect on 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.

Heightened Scrutiny by Canadian Authorities

Since cannabis is illegal under U.S. federal law, the business, operations and investments of the Company, Etain and/or the Investees in the U.S., and any future businesses, operations and investments, may become the subject of heightened scrutiny by securities regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with Canadian public officials. There can be no assurance that this heightened scrutiny will not lead to the imposition of certain restrictions on the Company’s ability to invest or hold interests in other entities in the U.S. or any other jurisdiction, or have consequences for its stock exchange listing or Canadian reporting obligations, in addition to those described herein.

On February 8, 2018, the Canadian Securities Administrators published the Staff Notice describing the Canadian Securities Administrators’ disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis.

CDS Clearing and Depository Services Inc. (“CDS”) is Canada’s central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, which is the owner and operator of CDS, announced the signing of a Memorandum of Understanding (“MOU”) with Aequitas NEO Exchange Inc., the CSE and the TSX confirming that it relies on such exchanges to review the conduct of listed issuers. The MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to the public interest and that the rules of each of the exchanges have been approved by the securities regulators.

Pursuant to the MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the U.S.

Even though the MOU indicated that there are no plans of banning the settlement of securities of issuers with U.S. cannabis related activities through CDS, there can be no guarantee that the settlement of securities will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid until an alternative (if available) was implemented, and investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Difficulty Reselling Common Shares

Almost all major securities clearing firms in the U.S. refuse to facilitate transactions related to securities of Canadian public companies involved in the cannabis industry. This is due to the fact that cannabis continues to be listed as a Schedule I controlled substance under the CSA. Accordingly, U.S. residents who acquire shares of the Company as “restricted securities” may find it difficult to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any shares of the Company that they may acquire in open market transactions.

Intellectual Property Risks

Federal protection of trademarks may be difficult or impossible for the Company, Etain or the Investees to obtain in the U.S., given the federal illegality of cannabis and the necessity of making “lawful use” of the trademark in commerce to obtain federal protection. While state-level protection is available, this nevertheless increases the risks in protecting the Company’s, Etain’s and the Investees’ brands until such time as the CSA is amended by federal legislation. In the European Union, where laws on the legality of cannabis use are not uniform, trademarks cannot be obtained for products that are “contrary to public policy or accepted principles of morality”. Accordingly, the ability to obtain intellectual property rights or enforce intellectual property rights against third party uses of similar trademarks may be limited in certain countries.

U.S. Anti-Money Laundering Laws and Regulation Risks

In the U.S., the Company, Etain and certain Investees are subject to a variety of laws and regulations that involve money laundering, financial record-keeping and proceeds of crime, including the *U.S. Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the “Bank Secrecy Act”), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the rules and regulations promulgated under such laws, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

Under the above laws, the Company, Etain and/or the applicable Investees may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. The U.S. federal prohibitions on the sale of cannabis may result in the Company

and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. Such risks increase costs to the Company and its ability to handle any revenue received.

Any violations of these laws, or allegations of such violations could disrupt the Company's operations and involve significant management distraction and expenses. As a result, money laundering charges could materially affect the Company's business, financial condition or results of operations, including restricting or otherwise jeopardizing the ability of the Company to declare or pay dividends, effect other distributions and/or subsequently repatriate such funds back to Canada.

Risk of Entry Bans into the U.S.

Cannabis remains illegal under U.S. federal law. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens, may face denial of entry or lifetime bans from the U.S. Entry to the U.S. is granted at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. Business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Restrictions on the Acquisition or Use of Properties by Foreign Investors

Non-resident individuals and legal entities operating in foreign jurisdictions may be subject to restrictions on the investment in, or acquisition or lease of, properties in certain emerging markets. Limitations also apply in certain countries to legal entities domiciled in such countries which are controlled by foreign investors, such as the Company. For example, some US states have limitations on foreign ownership of agricultural land to the extent the Company sought to acquire farmland for growing cannabis; and USDA requires foreign owners of agricultural land to provide notice regarding their acquisition of farmland. Accordingly, the Company's current and future operations may be impaired as a result of such restrictions on the investment, acquisition or use of property, and the Company's ownership or access rights in such jurisdictions may be subject to legal challenges, any of which could result in a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Tax Risks Related to Controlled Substances

Section 280E of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), is being applied by the Internal Revenue Service (the "**IRS**") to businesses operating in the medical and adult-use cannabis industry in the U.S. Pursuant to Section 280E of the Code, "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." The IRS has applied Section 280E broadly in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from underpayment of taxes due to the lack of deductibility of otherwise ordinary business expenses, the deduction of which is prohibited by Section 280E.

Accordingly, Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the U.S. cannabis industry, such as Etain, may be less profitable than they would otherwise be if the provisions of Section 280E of the Code were not applicable. Furthermore, although the IRS issued a clarification allowing the deduction of cost of goods sold, the scope of such items is interpreted very narrowly, and a significant portion of operating costs and general administrative costs are not permitted to be deducted. These tax provisions could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Changes in Tax Law

There can be no assurance that the Canadian and U.S. federal income tax treatment of the Company, Etain, or Investees will not be modified, prospectively or retroactively, by legislative, judicial or administrative action, in a manner adversely impacting the Company or shareholders.

In recent years, many changes to U.S. federal income tax laws have been proposed and made, and additional changes to U.S. federal income tax laws are likely to continue to occur in the future.

The U.S. Congress is currently considering numerous items of legislation which may be enacted prospectively or with retroactive effect, which legislation could adversely impact our financial performance and the value of the Company's Common Shares. Additionally, states in which the Company, Etain or the Investees operate or own assets may impose new or increased taxes. If enacted, most of the proposals would be effective for the current or later years. The proposed legislation remains subject to change, and its impact on the Company, Etain and/or the Investees is uncertain.

In addition, the Inflation Reduction Act of 2022 was recently signed into law and includes provisions that will impact the U.S. federal income taxation of corporations. Among other items, this legislation includes provisions that will impose a minimum tax on the book income of certain large corporations and an excise tax on certain corporate stock repurchases that would be imposed on the corporation repurchasing such stock. It is unclear how this legislation will be implemented by the U.S. Department of Treasury and accordingly the Company cannot predict how this legislation or any future changes in tax laws might affect the Company, Etain and/or the Investees.

Risks Relating to the Securities of the Company

Additional Financing Risk

The continued growth and development of the Company, including through follow-on investments in the Investees and/or for Etain 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's, Etain's and/or the Investees' current business plans, the decrease in value of an Investee or Etain to the Company, or the Company, Etain and/or the Investee going out of business. Relatedly, the failure of the Company to provide additional financing to Investees could result in Investees raising additional funds themselves through issuances of equity or convertible debt securities, which could cause the Company to suffer significant dilution. 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 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.

Although the Company has accessed financing in the past, there is neither a broad nor deep pool of institutional capital that is available to companies in the U.S. cannabis industry. Due to the current laws and regulations governing financial institutions in the U.S., banks often refuse to provide services to businesses involved in the cannabis industry, U.S. operators are currently not permitted to list securities on the U.S. exchanges and U.S. investors and banks are reluctant to provide financing to U.S. operators such as the Company. Consequently, it may be difficult for the Company to obtain additional financing in the U.S. There can be no assurance that additional financing, if raised, will be available to the Company when needed or on terms which are acceptable.

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), recent inflationary pressures and/or the collapse of certain financial institutions, 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.

Risks of a Significant Shareholder

BrandCo HoldCo, LLC controls a significant number of Common Shares and also has a direct or indirect financial interest in various other cannabis businesses that may be viewed as competitors to the Company now or in the future. As a result of the number of Common Shares held by BrandCo HoldCo, LLC, it may have the ability, subject to certain standstill and other voting restrictions described under the heading "*Material Contracts – Etain Investors Rights Agreement*", to exercise significant influence over the Company's business and operations due to its ownership interest, including matters requiring shareholder approval, such as the election of directors, change of control transactions and the determination of other significant corporate actions.

There can also be no assurance that the interests of BrandCo HoldCo, LLC will align with the interests of the Company or the Company's other shareholders, particularly in light of the other financial interests of BrandCo HoldCo, LLC and BrandCo HoldCo, LLC may have the ability, subject to the restrictions described under the heading "*Material Contracts – Etain Investors Rights Agreement*", to influence certain actions that may not reflect the intent of the Company or align with the interests of the Company or its shareholders. The ownership interest of BrandCo HoldCo, LLC could limit the price that investors or an acquirer may be willing to pay for Common Shares and may therefore delay or prevent a change of control or take-over bid of the Company.

Dividend Policy

The declaration, timing, amount and payment of dividends are at the discretion of the Board and will depend upon the Company's future earnings, cash flows, investment capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis, or at all. The Company has no plans to pay any dividends, now or in the near future.

General Risks

Adverse Developments with respect to Financial Institutions and Associated Liquidity

The global economic slowdown, inflation, rising interest rates and the prospects for recession, as well as recent and potential future disruptions in access to bank deposits or lending commitments due to bank failure, could materially and adversely affect our liquidity, our business and financial condition. The recent closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the FDIC have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds, even deposit

amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages. The failure of any bank in which the Company, Etain or the Investees has deposited funds could reduce the amount of cash the Company has available for its operations or delay its ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. Neither the Company nor Etain currently has a commercial relationship with a bank that has failed, nor has the Company or Etain experienced delays or other issues in meeting financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, the Company's ability to access cash and cash equivalents and investments may be threatened and could have a material adverse effect on the Company's business operations and financial condition.

Limited Operating History

The Company has a limited history of operations, in particular as a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. 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. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful and its likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's operating income and access to capital are not able to support its operating and 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.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities, including: certain officers and directors may provide services to both the Company and to an Investee; certain directors that are Hawthorne Nominees may provide services to The Hawthorne Collective, ScottsMiracle-Gro and/or The Hawthorne Gardening Company; and Amy Peckham, a director of the Company who is the Etain Investors' Nominee, serves as CEO and may provide other services to BrandCo HoldCo, LLC, KDBF Ventures, LLC, Etain New Jersey, LLC, Etain MD, LLC, and Etain Europe GmbH. The Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that could require significant time and attention and interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and officers who may from time-to-time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws and the Company's policies. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In addition, any material transaction or agreement proposed to be entered by the Company with any related party will be subject to the prior review and recommendation of the Conflicts Review Committee. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Dependence upon Key Personnel

The success of the Company, including Etain, is dependent upon the ability, expertise, judgment, discretion and good faith of key personnel. The Company's future success depends on its continuing ability to attract, develop, motivate, and retain key personnel. Qualified individuals for such positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of key personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment agreements are customarily used as a primary method of retaining the services of key personnel, these agreements cannot assure the continued services of such individuals.

Insurance Risks

While the Company currently maintains insurance coverage, there are exclusions and additional difficulties and complexities associated with insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the business, results of operations, and profitability of the Company. The cost of insurance coverage may increase and may even become unavailable as the Company continues to invest in or acquire cannabis companies operating in the U.S. There is no assurance that the Company will be able to obtain or maintain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

Moreover, premiums for the insurance coverage obtained by Etain and/or the Investees may not continue to be available or commercially justifiable, and such insurance coverage may have limitations and other exclusions and may not be sufficient to cover Investees' potential liabilities. If Etain and/or the Investees were to incur substantial liability not covered by insurance or in excess of policy limits, or if they were to incur such liability at a time when they are not able to obtain liability insurance, the business, financial condition and results of operations of Etain, the Investees and/or the Company may be adversely affected.

Litigation Risks

The Company, Etain and/or 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, Etain or an Investee were to be unable to resolve these disputes favourably, it may have a material adverse effect on the Company, Etain and/or the Investee. Even if the Company, Etain 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, Etain and/or the Investee may be subject to judgements or enter into settlements of claims for significant monetary damages. Such litigation may also create a negative perception of the Company, Etain and/or the Investee. Any decision resulting from any such litigation that is adverse to the Company, Etain or an Investee could have a negative impact on the Company's business, financial results and operations.

Cybersecurity and Privacy Risks

The information systems of the Company, Etain, the Investees and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third party service providers, employees or vendors. The operations of the Company, Etain and the Investees depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risk of failures. However, if the Company, Etain and/or the Investees are unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events

could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the reputation, business and results of operations of the Company, Etain and/or the Investees.

Etain and certain Investees may collect and store certain personal information about individuals, including information about patients who purchase medical cannabis, and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the business, financial condition and results of operations of the Company, Etain and/or the Investees.

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information, including the privacy rules under PIPEDA. If any Investees were found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of medical cannabis patient health information, they could be subject to sanctions and civil or criminal penalties, which could increase their liabilities, harm their reputations or the reputation of the Company and have a material adverse effect on the business, financial condition and results of operations of the Company and/or the Investees.

PFIC Classification Risks

The Company believes that it meets the requirements to be considered a PFIC within the meaning of the U.S. Internal Revenue Code for the year ended March 31, 2023. 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.

Fluctuations in Currency Exchange Rates

Foreign currency risk is the risk that a variation in exchange rates between the U.S. dollar and Canadian dollar, or other foreign currencies, will affect the Company's operations and financial results. The presentation currency of the Company is the U.S. dollar. The functional currency of the Company and its Canadian subsidiaries is the Canadian dollar, while the functional currency of the Company's U.S. subsidiaries and Etain is the U.S. dollar. In addition, the Company and certain subsidiaries hold cash and cash equivalents in both U.S. dollars and Canadian dollars, incur operating expenses in both U.S. dollars and Canadian dollars, and measure the fair value of certain other investments in Canadian dollars. While the Convertible Notes with The Hawthorne Collective are denominated in Canadian dollars, the proceeds were received by the Company in U.S. dollars, and the Company can repay the Convertible Notes upon maturity in U.S. dollars.

The Company does not currently engage in currency hedging activities to limit the risks of currency fluctuations. Consequently, fluctuations in currency exchange rates may significantly and adversely impact the Company's financial position and results.

General Tax Risks

A significant portion of the Company's income is, and will continue to be, 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 or other applicable tax authorities of transactions will be initiated or issued, or the basis, quantum, or timing of any such reassessments or the ultimate outcome therefrom, and the tax liability resulting to the Company or its subsidiaries from any transactions may materially adversely depend on actions, omissions, or events not within their control. As a result, it is not practicable for the Company to estimate the financial effect, if any, of any ongoing or future audits, assessments or reassessments. 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.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The Company's, Etain's and the Investees' respective businesses may be negatively impacted by several events which are beyond their control, including cyber-attacks, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other catastrophes. While the Company has implemented a risk management system, including business continuity, crisis management and disaster recovery planning, such events can evolve rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe the Company's, Etain's or the Investees' operations and ability to carry on business will not be disrupted. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the COVID-19 pandemic, or actual or threatened war, such as Russia's recent invasion of Ukraine, which has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, or fear of any of the foregoing, could have a destabilizing effect on global economies generally and adversely impact the Company, Etain and the Investees. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. These events may also further magnify the impact of the other risks identified in this AIF and could have a material adverse effect on the financial condition, operating results and cash flows of the Company, Etain and the Investees.

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 or Russia's recent invasion of Ukraine, could negatively impact the ability of the Company, Etain 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, 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.

Unknown Defects and Impairments

The carrying values of goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The Company tests for impairment of goodwill and intangible assets by comparing the carrying amount of the CGU to its recoverable amount, which is the greater of estimated fair

value less costs to sell and value-in-use calculations that use a discounted cash flow model. The determination of the Company's CGUs is based on management's judgement.

During the three months ended September 30, 2022, the Company determined that certain indicators of impairment were present for its Etain CGU group (the "**Etain CGU**").

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. Further impairment charges on the Company's carrying value of business arrangements could have a material adverse effect on the Company.

Risks Inherent in Strategic Alliances and Investments

The Company may in the future enter into further strategic alliances with third parties that it believes will complement or augment its existing business. The Company's ability to form strategic alliances is dependent upon, and may be limited by, the availability of suitable counterparties and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and/or may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Strategic alliances could result in the incurrence of additional debt, costs and/or contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

While the Company conducted due diligence with respect to the Investees and Etain, there are risks inherent in any investment. Specifically, there could be unknown or undisclosed risks or liabilities of the Investees and/or Etain, respectively, for which the Company is not sufficiently indemnified or at all. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. While the Company's investments were expected to be accretive at the time they were made, the performance of such investments may be materially different. The Company could encounter additional transaction and enforcement-related costs, fail to realize any or all of the potential benefits from its investments or lose the capital invested in the Investees or Etain, respectively. Any of the foregoing risks and uncertainties could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Associated with Material Contracts

The business of the Company may be significantly impacted if its material contracts are subject to change or termination. In addition, Etain's business and certain Investees may be significantly impacted if certain material contracts are not obtained or if existing material contracts, including support 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, Etain and/or the Investees may be unable to enforce such agreement, and if the Company, Etain 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, Etain and the Investees, and such risks may be increased as a result of ongoing capital markets, global economic conditions and general cannabis industry conditions..

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; and (v) through the Company's lenders, if any. 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.

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.

Inflation

In the past, high levels of inflation have adversely affected emerging economies and financial markets, and the ability of governments to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty. In addition to the impact of inflation in Canada and the U.S., the emerging markets in which the Company may invest may experience high levels of inflation in the future. Inflationary pressures may weaken investor confidence in such countries and lead to further government intervention in the economy. If countries in which the Company invests experience high levels of inflation and/or price controls, certain Investees may not be able to adjust the rates charged to customers to fully offset the impact of inflation on the Investees' cost structures, which could adversely affect the Company's financial condition or results of operations.

Hedging Risk

The Company may enter 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.

Internal Controls

The Company is responsible for establishing and maintaining adequate internal control over financial reporting (“**ICFR**”), 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.

The Company’s system of ICFR is not guaranteed to provide absolute assurance regarding the reliability of financial reporting and financial statements and may not prevent or detect misstatements. Management of the Company has separately filed on SEDAR the Form 52-109FV1 Certification of Annual Filings Venture Issuer Basic Certificates. In contrast to the certificate required under NI 52-109, the venture issuer certificate on Form 52-109FV1 does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“**DC&P**”) and ICFR, as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation. 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 stock exchange listing. 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 and Etain LLC, respectively, which in turn is dependent upon adequate internal controls over financial reporting within the Investees’ and Etain LLC’s respective finance functions. While the Company works closely with the Investees and Etain LLC, respectively, with respect to receiving, analyzing and querying the financial information received, or to be received, there can be no assurance that the financial information provided by Investees or Etain LLC, respectively, is, or will be, accurate and free of material misstatement or fraud. Should the financial information provided by Investees or Etain LLC, respectively, 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.

As a privately-held U.S. company, Etain LLC was not required to evaluate its ICFR. In connection with the preparation of the Consolidated Financial Statements, management of the Company identified significant deficiencies in Etain LLC’s ICFR. A significant deficiency is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company’s financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. The deficiencies that management identified related to completeness and classification issues related to underlying financial statement line items. Management has taken steps to address and remedy the deficiencies identified, which the Company believes will address their underlying causes. The Company has also hired additional personnel with requisite skills in both accounting and ICFR, and is evaluating the longer term resource needs of Etain LLC’s various financial functions, particularly in light of the anticipated growth of the business. In addition, management plans to develop a detailed plan to design, evaluate, and document the overall control environment and resolve any identified weaknesses.

Implementing any appropriate changes to Etain LLC's internal controls and continuing to update and maintain Etain LLC's internal controls may distract the Company's officers and employees, entail substantial costs to implement new processes and modify its existing processes, and take significant time to complete. If the Company fails to enhance Etain LLC's ICFR, the Company may be unable to report its financial results accurately, which could increase operating costs and harm the Company's and Etain LLC's respective businesses, including the Company's investors' perception of its business and the Company's share price. The actions that management plans to take are subject to continued management review, supported by confirmation and testing, as well as Audit Committee oversight. While the Company expects to fully remediate any significant deficiencies, it cannot provide assurance that it will be able to do so in a timely manner, which could impair the Company's ability to report its financial position. Additionally, the Company cannot ensure that the measures the Company has taken to date, and is continuing to implement, will be sufficient to avoid potential future material weaknesses or significant deficiencies. Moreover, the Company cannot be certain that there will not be additional significant deficiencies or material weaknesses in ICFR in the future, or that the Company will successfully remediate any that it finds.

The Company does not expect that the DC&P and ICFR 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.

Corruption and Fraud Risk

There are uncertainties, corruption and fraud risks relating to title ownership of real property in certain emerging markets in which the Company may invest. Property disputes over title ownership are frequent in emerging markets, and, as a result, there is a risk that errors, fraud or challenges in respect of ownership of real property could adversely affect future Investees' ability to operate in such jurisdictions.

Canadian Anti-Money Laundering Laws and Regulation Risks

The Company is subject to a variety of domestic and international laws and regulations pertaining to money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities internationally.

In the event that profits from the operations of Etain or any of the Company's investments, any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments were found to be in violation of money laundering legislation, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that profits from the operations of Etain or the Company's investments could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Anti-Bribery Law Risks

The Company's business is subject to Canadian laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business.

In addition, the Company is or will be subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Company's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct under the Company's policies and procedures and anti-bribery laws for which the Company may be held responsible. The Company's policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that the Company's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its or the Investees' affiliates, employees, contractors or agents. If the Company's, Etain's or the Investees' employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

Enforcement of Judgements Against Non-Canadian Directors and Officers

A number of our directors and officers reside outside of Canada. As a result, it may be difficult, or in some cases not possible, for investors to enforce their legal rights or to enforce judgments of Canadian courts predicated upon civil liabilities under securities laws and/or criminal penalties against any person that resides or is otherwise organized outside of Canada even if the party has appointed an agent for service of process.

Risks Relating to the Businesses of Etain and the Investees

In addition to the risk factors that may impact the business, operations and financial condition of the Company, Etain and/or the Investees noted above, the following supplemental risk factors may directly impact the business, operations and financial condition of certain Investees and Etain and, accordingly, may have a direct or indirect material adverse effect on the Company.

Reliance on Licences

The Company is, or will be, dependent on the licences or the ability to obtain a licence of certain Investees and Etain, which are subject to ongoing compliance and reporting requirements. Failure of the applicable Investees or Etain to comply with the requirements of these licences or any failure to obtain or maintain these licences could have a material adverse impact on the business, financial condition and operating results of the Investee, Etain or the Company. There can be no guarantee that a licence will be issued, extended or renewed or, if issued, extended or renewed, that they will be issued, extended or renewed on terms that are favourable to such Investee or Etain or the Company. Should a licence not be issued, extended or renewed or should it be issued or renewed on terms that are less favourable to such Investee or Etain and the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

Failure to Obtain Necessary Licences

The abilities of certain Investees' and Etain to conduct their businesses are dependent on securing and maintaining the appropriate licences with Health Canada, the New York State regulators or other relevant regulatory authorities. Failure to comply with the requirements of any license application or failure to obtain and maintain the appropriate licences with Health Canada, the New York State regulators or other relevant authorities could have a material adverse impact on the business, financial condition and results of operations of the Investee, Etain or the Company. There can be no guarantees that regulatory authorities will issue the required licences.

Operating Risks

Cannabis operations generally involve a high degree of risk. The Investees and Etain are subject to the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect one of the Investees or Etain, it may (i) cause the cost of development or production to increase to a point where it would no longer be economic to produce cannabis, (ii) cause delays or stoppage of operations, (iii) cause personal injury or death and related legal liability, or (iv) result in the loss of insurance coverage. The occurrence of any of these risks or hazards could have a material adverse effect on the Company and the price of the Common Shares.

Reliance on Investee and Etain Facilities

The facilities used by certain Investees and Etain could be subject to adverse changes or developments, including but not limited to a breach of security and facility closures, which could have a material and adverse effect on the Investees', Etain's or Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by regulatory authorities, could also have an impact on such Investees' and Etain's ability to continue operating under their licences or the prospect of renewing their licences, which may have an adverse effect on the Company.

Compatibility of Existing Technologies in Cannabis

The success of certain Investees or Etain will depend upon whether the Investee is able to develop a sustainable income stream from the implementation of their existing technologies in the cannabis industry. In large part, this will depend on whether the market views these technologies as safe, effective and economically beneficial. Market acceptance will also depend on the Investee's or Etain's field testing of their technology and the ability to demonstrate that such technology has utility and benefits for cannabis cultivation that is an attractive alternative to existing options. If these Investees or Etain fail to demonstrate feasibility, commercially viable scale within acceptable quality and/or equipment performance standards, it could have a material adverse effect on the Investees' or Etain's business, operating results and financial condition, which, in turn, could have a materially adverse effect on the Company.

Testing and Trials

Testing and trials for certain Investees' and Etain's products in the cannabis market are anticipated in the near future. If the results of the tests and trials are not favourable, or do not warrant additional testing, such failure could have a significant impact on the ability to bring products to market or it may limit the scope and number of crops to which the Investees' and Etain's products are applicable. Unforeseen circumstances, such as inclement weather events could have a negative impact on the outcome and ability to conduct trials and affect the quality of results and completion of tests. Such unfavourable or delayed testing results could have a material adverse effect on the Investees' or Etain's business, operating results and financial condition, which, in turn, could have a materially adverse effect on the Company.

Expansion into Foreign Jurisdictions

Etain operates in the U.S. and the Investees may currently, or in the future, have operations in various foreign jurisdictions, including emerging markets. As a result, the Company may in the future face new risks or significant exposure to existing risks. Such operations expose the Company to the socio-economic conditions as well as the laws governing the cannabis industry in such countries, which could increase the Investees' or Etain's operational and regulatory compliance risks.

Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates; military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licences, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favour or require the Investees to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in the cannabis industry or investment policies or shifts in political attitude in the countries in which the Company invests may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licences, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices

could result in loss, reduction or expropriation of licences, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Moreover, the failure of the Investees' or Etain's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion, could require the Investees or Etain to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Investees and Etain may not be able to successfully identify suitable acquisition, investment and/or expansion opportunities or integrate such operations successfully with the Investees' existing operations.

The Company continues to monitor developments and policies in the foreign jurisdictions in which it invests and Etain or the Investees operate and assess the impact thereof to its operations; however, such developments cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Production Forecasts

The Company relies largely on its own market research and information provided by the Investees, Etain LLC and independent experts to forecast industry trends, statistics and market sizes, as well as the success of the business, products, plans and strategies of the Investees and/or Etain LLC as detailed forecasts are, with certain exceptions, not generally available from other sources at this early stage of the cannabis industry. Such information will be necessarily imprecise because it will depend upon significant judgment. Furthermore, these production estimates and projections will be based upon existing plans and other assumptions which change from time to time, and over which the Company has no control, including the costs of production, the operators' ability to sustain and increase production levels, the sufficiency of infrastructure, the performance of personnel and equipment, the ability to maintain and obtain licences and permits. Any such information is forward-looking and no assurance can be given that such production estimates and projections will be achieved. Actual attributable production may vary from the Company's estimates for a variety of reasons and may result in the failure to achieve the production forecasts currently anticipated. If the Company's forecasts prove to be incorrect, it may have a material adverse effect on the Company.

Further, as a result of recent and ongoing regulatory and policy changes in the medical and adult use cannabis industries and unreliable levels of market supply, the market data available is limited and unreliable. We must rely largely on our own market research and information supplied by Etain LLC and/or the Investees to forecast sales, as detailed forecasts are not generally obtainable from other sources in the states in which our business operates. Any market research and our projections of estimated total retail sales, demographics, demand and similar consumer research, are based on our, or Etain LLC or Investees', assumptions from limited and unreliable market data. Failure to identify customer or market trends caused by the dearth of reliable data could have a material adverse effect on our business, results of operations and financial condition.

Customer Acquisitions

The Company's success depends, in part, on the Investees' and Etain's ability to attract and retain customers. There are many factors which could impact the Investees' and Etain's respective abilities to attract and retain customers, including but not limited to the ability of certain Investees and Etain to continually produce desirable and effective products, changes in consumer preferences and the Investees' and Etain's respective abilities to fulfill such consumer preferences, changes in consumption patterns, the successful implementation of customer-acquisition plans, the continued growth in the aggregate number of customers and the accessibility of the Investees' and Etain's respective products. The failure to acquire and retain customers would have a material adverse effect on the Investees' and Etain's respective businesses, operating results and financial condition, which, in turn, could have a materially adverse effect on the Company.

Constraints on Marketing Products

The development of the Investees' and Etain's respective businesses, financial condition and operating results may be hindered by applicable restrictions on sales and marketing. The regulatory environment in Canada, the U.S. and in foreign jurisdictions limits the Investees' and Etain's respective abilities to compete for market share in a manner

similar to other industries. If the Investees and Etain are unable to effectively market their respective products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for their respective products, the Investees' and Etain's sales and operating results could be adversely affected, which, in turn, could have a materially adverse effect on the Company's business, financial condition and operating results.

Risks Inherent in an Agricultural Business

The business of certain of the Investees and Etain involves the growing of cannabis. Cannabis is an agricultural product. As such, the respective businesses of these Investees and Etain, including those that grow cannabis indoors and in greenhouses, are subject to the risks inherent in the agricultural business, such as insects, plant diseases and other agricultural risks, which could require crop destruction and adversely affect the business of certain Investees, Etain and the Company.

Like other agricultural products, which can have an impact on the quality and size of the harvested crops that can be processed and sold by certain Investees and Etain. Although Etain and Investess may or do cultivate their cannabis plants in indoor, climate controlled rooms and/or greenhouses staffed by trained personnel, there can be no assurance that agricultural risks will not have a material adverse effect on the cultivation of its cannabis and, accordingly, Etain's or certain Investees' business, financial condition and results of operations. Such risks include plant diseases that are hard to detect even with proper safeguards, such as the Hop Latent Viroid.

Significant increases or decreases in the total harvest will impact the Company's profits realized on sales of the Investees' products and, consequently, the results of the Company's operations. High degrees of quality variance can also affect processing velocity and capacity utilization, as the processes required to potentially upgrade lower or more variable quality product can slow overall processing times. There can be no assurance that agricultural risks will not have a material adverse effect on the production of products by certain Investees and Etain, which may have a material adverse effect on the Company.

Although Etain and Investess may or do cultivate their cannabis plants in indoor, climate controlled rooms and/or greenhouses staffed by trained personnel, there can be no assurance that agricultural risks will not have a material adverse effect on the cultivation of its cannabis and, accordingly, Etain's or certain Investees' business, financial condition and results of operations. Such risks include those that are hard to detect even with proper safeguards such as Hop Latent Viroid (though, to our knowledge, no cases of Hop Latent Viroid have been identified in Etain or Investee's cultivation facilities).

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as industry-wide facility build-out, weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial and territorial agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company, Etain and the Investees.

Risks Regarding Vaping Products

On October 4, 2019, the FDA issued a warning to the public to stop using vaping products containing THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. These warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers in the U.S. There have also been reported cases in Canada of lung injuries associated with the use of cannabis derivatives containing vaping liquid. Health Canada has issued an information update advising Canadians who use cannabis derivatives containing vaping liquids to monitor themselves for symptoms of pulmonary illness. Governments and the private sector may take further actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use

of these vaping products. For instance, the provincial governments in Quebec and Newfoundland have already imposed provincial regulatory restrictions on the sale of cannabis vape products. These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the vaping products of certain Investees and Etain. Federal, provincial, and local regulations or actions that prohibit or restrict the sale of the vaping products of certain Investees and Etain, including cannabis derivative vaping liquids, or that decrease consumer demand for these products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact certain Investees, Etain and the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Investees or Etain are recalled due to an alleged product defect or for any other reason, the Company, Etain and/or the Investee may be required to incur unexpected expenses relating to the recall and any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by Etain or the Investees were subject to recall, the reputation of that product, the Investee, Etain and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for an Investee's or Etain's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of certain Investees' or Etain's operations by Health Canada, the OCM or other regulatory agencies, requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company.

Product Liability

As a cultivator, manufacturer and distributor of products designed to be ingested by humans, certain Investees and Etain face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. Certain Investees and Etain may be subject to various product liability claims, including that their products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against any Investee or Etain could result in increased costs to the Company, could adversely affect the Company's reputation generally, and could have a material adverse effect on the Company's financial condition and results of operations. A product liability claim or regulatory action against Etain or any Investee could prevent or inhibit the commercialization of potential products, result in materially increased costs, adversely affect Etain's or the Investee's reputation with its clients and customers generally, and have a material adverse effect on its results of operations and financial condition. There can be no assurances that the Investees, Etain or the Company, as applicable, will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Slow Acceptance of Investee or Etain Products

The marketplace may be slow to accept or understand the significance of the technology developed by certain Investees or Etain, whether due to its unique nature, the competitive landscape or otherwise. If Investees or Etain are unable to promote, market and sell their products and secure relationships with purchasers, the Company's business, financial condition and operating results may be adversely affected.

Environmental and Employee Health and Safety Regulations

The Investees' and Etain's operations may be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Accordingly, the Investees, Etain or the Company, as applicable, may incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in costs for corrective measures, penalties or restrictions on certain Investees' or Etain's production operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Investees' of Etain's operations or give rise to material liabilities, which, in turn, could have a material adverse effect on the business, financial condition and/or results of operations of the Investees, Etain and the Company.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our, Etain's or Investee's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company, Etain's and Investee's operations. To the extent such approvals are required and not obtained, the Company, Etain and/or Investee may be curtailed or prohibited from various activities including proposed production of medical marijuana or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company, Etain, and/or Investees may be required to compensate those suffering loss or damage by reason of their operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the Company's, Etain's, and/or the Investee's operations, including, as applicable, the production of medical marijuana, or more stringent implementation of such laws, regulations and permits, could have a material adverse impact on the Company, Etain, and/or the Investee and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Reliance on Key Inputs

Certain of the Investees' and Etain's respective businesses are dependent on a number of key inputs and their related costs, including raw materials and supplies related to their growing operations, electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs, including as a result of the COVID-19 pandemic or Russia's recent invasion of Ukraine, could materially impact the financial condition and operating results of these Investees and Etain. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of these Investees and Etain, in which circumstance there could be a materially adverse effect on the financial results of the Company.

Dependence on Suppliers and Labour

The ability of the Investees and Etain to compete and grow will be dependent upon having access, at a reasonable cost and in a timely manner, to labour, equipment, parts and components. No assurances can be given that Investees and Etain will be successful in maintaining their required supply of labour, equipment, parts and components.. It is also possible that the final costs of the major equipment contemplated by capital expenditure programs may be significantly greater than anticipated or available, in which case there could be a materially adverse effect on the financial results of the Company.

Research and Development

The future growth of certain Investees and Etain depends on penetrating new markets, adapting existing services to new applications, and introducing new services that achieve market acceptance. These Investees and Etain will need to incur research and development costs as part of their efforts to develop and commercialize new services and enhance existing products. The expenditures of Investees, Etain or the Company, as applicable, on research and development activities may adversely affect earnings in the future. Further, research and development programs may not produce successful results, and new products and services may not achieve market acceptance, create additional revenue or become profitable, which could have a materially adverse impact on the business, financial condition and operating results of these Investees or Etain, in which case there could be a materially adverse effect on the financial results of the Company.

Rapid Technological Change

The markets in which the Investees and Etain compete are characterized by rapid technological change, which requires the Investees and/or Etain to test new products and product enhancements and could render existing equipment obsolete. Continuing technological changes could make the products and services of Investees less competitive or obsolete, either generally or for particular applications. The Company's future success will, in part, depend upon the Investees' and Etain's ability to develop and introduce a variety of new capabilities and enhancements to its existing service offerings, as well as introduce a variety of new service offerings, to address the changing needs of the cannabis markets in which they offer products and services. If the Investees, Etain or the Company, as applicable, are unable to devote adequate resources to evaluating new systems or cannot otherwise successfully test new systems or enhancements that meet customer needs on a timely basis, their services could lose market share, their revenue and profits could decline, and the Company's business, financial condition and operating results could be materially adversely impacted.

Intellectual Property Risks

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights of the Investees and Etain are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use certain Investees' and Etain's respective products, technology, inventions, trade secrets, trademarks, technical know-how and proprietary information. Policing the unauthorized use of current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult and the Investees may be unable to effectively monitor and evaluate the intellectual property used by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. Additionally, if the steps taken to identify and protect intellectual property rights are deemed inadequate, the Investees may have insufficient recourse against third parties for enforcement of their intellectual property rights.

In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defence proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Investees and/or the Company.

In relation to agreements with parties that have access to the Investees' and Etain's respective intellectual property or have granted intellectual property rights to an Investee or Etain, any of these parties may breach these agreements there may not be adequate remedies for any specific breach. In relation to security measures, such security measures may be breached and there may not be adequate remedies for any such breach. In addition, intellectual property which has not yet been applied for or registered may otherwise become known to or be independently developed by competitors, or may already be the subject of applications for intellectual property registrations filed by competitors, which may have a material adverse effect on the business, financial condition and results of operations of the Investees, Etain and/or the Company.

Other parties may claim that the Investees' or Etain's products infringe on their proprietary and perhaps patent protected rights. There may be third party patents or patent applications with claims to products or processes related to the manufacture, use or sale of the Investees' products and processes. There may be currently pending patent applications, some of which may still be confidential, that may later result in issued patents that the Investees' or Etain's respective products or processes may infringe. In addition, third parties may obtain patents in the future and claim that use of the inventions, trade secrets, technical know-how and proprietary information, or the manufacture, use or sale of products infringes upon those patents. Third parties may also claim that the Investees' or Etain's respective uses of trademarks infringe upon their trademark rights. Parties making claims against the Investees or Etain may obtain injunctive or other equitable relief, which may have an adverse impact on the business, financial condition and results of operations of the Investees and/or the Company. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Investees or Etain may need to obtain licences from third parties who allege that the Investee has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Investee or Etain or at all. In addition, the Investee or Etain may not be able to obtain or utilize on terms that are favourable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

There is no guarantee that any patent or other intellectual property applications that an Investee, Etain or the Company, as applicable, files will result in registration or any enforceable intellectual property rights. Even if patents do successfully issue, and cover the products and processes, third parties may challenge their validity, enforceability, or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, any patent applications and future patents may not adequately protect an Investee's intellectual property, provide exclusivity for products or processes, or prevent others from designing around any issued patent claims. Any of these outcomes could impair the ability of the Investees to prevent competition from third parties, which may have an adverse impact on the business, financial condition and results of operations of the Investees, Etain and/or the Company.

Vulnerability to Rising Energy Costs

Certain of the Investees' and Etain's growing operations consume considerable energy, making such Investees and Etain vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of these Investees and their ability to operate profitably, which, in turn, could have a materially adverse effect on the Company's business, financial condition and operating results.

Transportation Risks

Certain Investees and Etain depend on fast and efficient third-party transportation services. Any prolonged disruption of these services could have an adverse effect on the financial condition and results of operations of such Investees, Etain and/or the Company. Due to the nature of the business of certain Investees and Etain, security of product during transport is of the utmost concern. A breach of security during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, the OCM or other regulatory agencies, could have a material and adverse effect on the business, financial condition and prospects of these Investees, Etain and the Company, as well as the Investees' and Etain's ability to continue operating.

DIVIDENDS

The declaration, timing, amount and payment of dividends are at the discretion of the Board and will depend upon, among other things, the Company's financial results, investment opportunities, cash requirements, contractual obligations and other factors the Board may consider relevant. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis, or at all. The Company has no plans to pay any dividends, now or in the near future.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company is authorized to issue an unlimited number of Common Shares. As of the date of this AIF, there were 135,670,526 Common Shares outstanding. Holders of Common Shares are entitled to receive notice of and attend all meetings of the shareholders of the Company and to one vote per Common Share on all matters upon which holders of Common Shares are entitled to vote at such meetings of shareholders.

The Common Shares shall be subject to and subordinate to the rights, privileges, restrictions and conditions attaching to the shares of any other class ranking senior to the Common Shares and shall rank *pari passu*, share for share, as to the right to receive dividends and any amount payable on distribution of assets constituting a return of capital and to receive the remaining property and assets of the Company on the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its shareholders for the purposes of winding up its affairs.

The holders of Common Shares are entitled to receive dividends as and when declared by the Board. Holders of Common Shares do not have pre-emptive, conversion or exchange rights or other subscription rights and no redemption, retraction, purchase for cancellation or surrender provisions or sinking or purchase fund provisions will be applicable to the Common Shares. There are no provisions in the articles of the Company requiring holders of Common Shares to contribute additional capital, or permitting or restricting the issuance of additional securities or any other material restrictions.

Convertible Debt

As discussed further under the heading “*Material Contracts – Initial Note Purchase Agreement and Convertible Note I*” and “*Material Contracts – Additional Note Purchase Agreement and Convertible Note II*”, the Company has both Convertible Note I and Convertible Note II outstanding. Assuming full conversion of each of the Convertible Notes into Common Shares, including the full amount of the anticipated accrued interest over the life of each of the Convertible Notes, The Hawthorne Collective would be entitled to receive 103,224,782 Common Shares with respect to the Convertible Note I and 19,722,524 with respect to the Convertible Note II, representing approximately 40% and 8%, respectively, of the Company’s outstanding shares on a partially diluted basis based on the basic shares outstanding as of the date hereof.

Options

As of the date of this AIF, the Company has Options outstanding for the purchase of an aggregate of 2,031,500 Common Shares.

Restricted Share Units

As of the date of this AIF, the Company has RSUs outstanding, which are redeemable for an aggregate of 693,027 Common Shares.

Deferred Share Units

As of the date of this AIF, the Company has DSUs outstanding, which are redeemable for an aggregate of 54,635 Common Shares.

Performance Share Units

As of the date of this AIF, the Company has PSUs outstanding, which are redeemable for an aggregate of 1,497,442 Common Shares. Unvested additional PSUs are eligible to vest based on the performance factor applicable on each grant’s respective vesting dates.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares of the Company are currently traded on the CSE under the trading symbol “RIV”. In connection with the Initial Hawthorne Investment, the Company’s Common Shares were voluntarily delisted from the TSX on August 24, 2021 and commenced trading on the CSE on August 23, 2021.

The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares on the applicable exchange for the periods listed below.

Date	High (C\$)	Low (C\$)	Total Volume for Period (#)
April 2022	1.59	1.21	1,359,116
May 2022	1.29	0.7	1,788,947
June 2022	0.78	0.56	477,008
July 2022	0.72	0.52	1,244,168
August 2022	0.62	0.46	1,083,612
September 2022	0.57	0.45	328,195
October 2022	0.65	0.36	785,493
November 2022	0.48	0.28	499,572
December 2022	0.42	0.185	3,125,709
January 2023	0.27	0.18	637,751
February 2023	0.24	0.155	1,085,395
March 2023	0.18	0.11	1,120,848

(1) The Company’s Common Shares were listed on the TSX until August 24, 2021 when the Common Shares were voluntarily delisted from the TSX.

(2) The Company’s Common Shares commenced trading on the CSE on August 23, 2021.

Prior Sales

During the financial year ended March 31, 2023, the Company issued the following securities, which are convertible into or redeemable for Common Shares but are not listed or quoted on a marketplace:

Date of Issuance	Security	Number of Securities	Issue / Exercise Price Per Security (C\$)
December 28, 2022	PSUs ⁽¹⁾	90,000	n/a
November 22, 2022	RSUs ⁽²⁾	399,448	n/a
November 1, 2022	Options ⁽¹⁾	300,000	\$0.43
September 19, 2022	PSUs	243,000	n/a
June 1, 2022	Options	300,000	\$0.68
April 7, 2022	Options	500,000 ⁽³⁾	\$1.47
April 1, 2022	PSUs	249,691 ⁽⁴⁾	n/a

(1) PSUs and options issued pursuant to Long Term Incentive Plan.

(2) RSUs issued pursuant to the Non-Employee Director Share Unit Plan.

(3) All options forfeited or expired by the date of this AIF.

(4) Based upon the application of the performance factor to the PSUs that vested on such date.

DIRECTORS AND OFFICERS

The following table sets forth for each director and executive officer of the Company, as of the date of this AIF, each such individual's name, province or state and country of residence, position(s) held with the Company, principal occupation(s) for the last five years and, if currently a director, period(s) during which such individual has served as a director of the Company. The statements as to principal occupation(s) for the last five years of the directors and executive officers of the Company are based upon information furnished by the individuals concerned. All directors of the Company hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed.

Name, Province or State and Country of Residence	Current Position(s) with the Company	Date of Appointment as Director	Principal Occupation(s) for Last Five Years
Joseph Mimran ⁽¹⁾⁽³⁾⁽⁶⁾ Toronto, Canada	Director	September 17, 2018	June 2015 to present – Chairman, Gibraltar & Company, Inc. January 2002 to present – Chairman and President, Joseph Mimran & Associates Inc. January 2017 to July 2018 – Co-Chief Executive Officer, Gibraltar Opportunity, Inc. January 2017 to July 2018 – Co-Chief Executive Officer, Gibraltar Growth Corporation
Richard Mavrinnac ⁽²⁾⁽⁵⁾⁽⁷⁾⁽⁹⁾ Toronto, Canada	Director	September 17, 2018	March 2017 to present – Director
Chris Hagedorn ⁽⁸⁾⁽¹⁰⁾ New York, U.S.	Director	September 30, 2021	January 2021 to present – Executive Vice President and Division President of The Hawthorne Gardening Company January 2017 to December 2020 – SVP, General Manager – The Hawthorne Gardening Company
Laura Curran ⁽⁸⁾⁽¹⁰⁾ New York, U.S.	Director	September 29, 2022	April 2022 to present – Corporate Director January 2018 to December 2021 – Chief Executive of County, Nassau County
Dawn Sweeney ⁽³⁾⁽⁴⁾⁽⁷⁾⁽⁹⁾ Florida, U.S.	Director	September 29, 2022	May 2020 to present – Executive-In-Residence, Georgetown University's McDonough School of Business December 2020 to present – Principal, New England Consulting Group October 2007 to December 2019 – President and Chief Executive Officer, National Restaurant Association
Amy Peckham ⁽⁹⁾⁽¹¹⁾⁽¹²⁾⁽¹³⁾ New York, U.S.	Director	September 29, 2022	December 2014 to December 2022 – Chief Executive Officer, Etain, LLC April 2022 to September 2022 – General Manager for Etain Brand, RIV Capital US Services LLC December 2014 to April 2022 – Chief Executive Officer, Etain IP LLC

Name, Province or State and Country of Residence	Current Position(s) with the Company	Date of Appointment as Director	Principal Occupation(s) for Last Five Years
Michael Totzke Minnesota, United States	Interim Chief Executive Officer and Chief Operating Officer	N/A	February 2023 to present – Interim Chief Executive Officer of the Company June 2022 to present – Chief Operating Officer of the Company December 2020 to June 2022 – Vice President and General Manager – The Hawthorne Collective October 2019 to December 2020 – Vice President and General Manager of National Accounts Sales Team – Scotts Miracle-Gro October 2017 to October 2019 – Senior Director of Sales and Team Lead of National Accounts Sales Team – Scotts Miracle-Gro
Edward Lucarelli Toronto, Canada	Chief Financial Officer	N/A	September 2018 to present – Chief Financial Officer of the Company March 2018 to September 2018 – Chief Financial Officer of CRC PrivateCo
Matthew Mundy Oakville, Canada	Chief Strategy Officer, General Counsel and Corporate Secretary	N/A	May 2020 to present – Chief Strategy Officer, General Counsel and Corporate Secretary of the Company September 2018 to May 2020 – General Counsel and Corporate Secretary of the Company May 2018 to September 2018 – General Counsel and Corporate Secretary of CRC PrivateCo
Amanda Rico Florida, United States	Chief Human Resources Officer	N/A	October 2022 to present – Chief Human Resources Officer of the Company January 2021 to October 2022 – Vice President of Human Resources of Scotts Miracle-Gro June 2019 to January 2021 – Director Human Resources of Scotts Miracle-Gro July 2018 to June 2019 – Regional Human Resources Manager of Scotts Miracle-Gro

- (1) Chair of the Board.
- (2) Chair of the Audit Committee.
- (3) Member of the Audit Committee.
- (4) Chair of the Compensation, Nominating and Governance Committee.
- (5) Member of the Compensation, Nominating and Governance Committee.
- (6) Chair of the Conflicts Review Committee.
- (7) Member of the Conflicts Review Committee.
- (8) Chair of the Strategic Growth Committee
- (9) Member of the Strategic Growth Committee
- (10) The Hawthorne Collective nominee to the Board.
- (11) Etain Investors' Nominee to the Board
- (12) Observer to the Audit Committee
- (13) Observer to the Strategic Growth Committee

As of the date of this AIF, the directors and executive officers of the Company, as a group, beneficially owned, or

controlled or directed, directly or indirectly, 1,004,366 Common Shares, representing, on a non-diluted basis, approximately 1% of the total issued and outstanding Common Shares (or 2,942,792 Common Shares assuming the exercise of the Options and the redemption of the RSUs and PSUs held by the directors and executive officers, representing, on a partially diluted basis, approximately 2% of the total issued and outstanding Common Shares).

Biographies

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies set out below.

Joseph Mimran – *Chair of the Board, Director* – Mr. Mimran is among Canada's leading fashion and retail pioneers and entrepreneurs. Throughout his career, he has founded or co-founded and built brands that have helped define the fashion industry landscape, including Joe Fresh™, Club Monaco, Alfred Sung, Caban and, with his wife Kimberly Newport-Mimran, Pink Tartan. In addition, Mr. Mimran is the Chairman of Gibraltar & Company, Inc., and was formerly the Co-Chief Executive Officer of Gibraltar Opportunity, Inc. and Gibraltar Growth Corporation. Mr. Mimran was the founder and former Creative Director of the Joe Fresh™ brand for Loblaw Companies Limited, where he led the entire creative process for the women's, men's and children's apparel line from product design to marketing and advertising to store selection and design for the merchandising of the line. Mr. Mimran founded the consulting firm Joseph Mimran & Associates Inc. (“JMA”) in 2001. In 2003, Loblaw Companies Limited engaged JMA to design home products under its President's Choice brand, followed by all general merchandise categories by 2009. Mr. Mimran co-founded The Monaco Group (which included Alfred Sung, a high-end fashion women's wear line, and Club Monaco, a fashion-forward, high-end casual clothing retailer) in 1980 and took the company public in 1986. The company was purchased by Dylex in 1989. In 1991, Mr. Mimran repurchased Club Monaco from Dylex, founded and launched Caban (a design-oriented home furnishings retailer) and took the business public in 1997. In 1999, he sold Club Monaco (and Caban) to Ralph Lauren for an equity value of \$77,500,000. Mr. Mimran has been the recipient of many industry awards, including the Canadian Style Award and the lifetime achievement award by the Design Exchange, and in 2015 he was inducted into Canada's Marketing Hall of Legends. Mr. Mimran began his career at Coopers & Lybrand (now PricewaterhouseCoopers) after receiving his Chartered Accountant designation.

Richard Mavrinac – *Director* – Mr. Mavrinac served as the Chief Financial Officer of George Weston Limited and the Executive Vice-President of Loblaw Companies Limited, two of Canada's largest companies operating in the retail grocery and bakery sectors, from 2003 to 2007. As Chief Financial Officer of George Weston Limited, Mr. Mavrinac's experience encompassed all aspects of finance, including overall responsibility for financial reporting, treasury, risk management, pension and benefits, investor relations, taxation and acquisitions and divestitures. Mr. Mavrinac began his career with Loblaw Companies Limited in 1982 as Director of Taxation, subsequently holding a variety of financial positions within the company. In 1996, Mr. Mavrinac assumed the role of Senior Vice-President, Finance for George Weston Limited and Loblaw Companies Limited. Mr. Mavrinac is currently a member of the board of directors of Roots Corporation, and formerly a member of the board of directors of TerrAscend and Gage Growth Corp., and brings experience in the retail and cannabis sectors to the Board. Mr. Mavrinac received his Bachelor of Commerce degree from the University of Toronto in 1975 and began his career with Peat Marwick Mitchell Chartered Accountants after receiving his Chartered Accountant designation in 1978.

Chris Hagedorn – *Director* – Mr. Hagedorn is the executive vice president and division president of Hawthorne Gardening Company, a subsidiary of ScottsMiracle-Gro focused on providing products and solutions to the hydroponic and indoor growing industry. All aspects of Hawthorne Gardening Company business report up through Mr. Hagedorn, who has held the position since 2014. During his tenure, Mr. Hagedorn has played a key role in the acquisition of leading hydroponic brands under the Hawthorne Gardening Company, which has locations throughout North America and in the Netherlands. Prior to his role with the Hawthorne Gardening Company, Mr. Hagedorn held various positions within ScottsMiracle-Gro, ranging from marketing roles to director of indoor gardening. He has a Bachelor's degree from Bowdoin College.

Laura Curran – *Director* – Ms. Curran is currently a member of the board of directors of Mount Sinai South Nassau. Ms. Curran previously served as the first female County Executive of Nassau County from January 1, 2018 to December 31, 2021. In this role, Ms. Curran represented more than 1.3 million residents and prioritized restoring trust and fiscal integrity to the County government. She directed a government of more than 7,500 employees, including six unions, and created balanced budgets in excess of \$3.3 billion, earning the County's first bond upgrade in 15 years.

As County Executive, she also successfully advocated for new economic development and downtown revitalization. Under Ms. Curran's leadership, Nassau County was named the safest community in America by U.S. News & World Report for three consecutive years. After the COVID-19 pandemic hit Nassau County, she led the County's response to protect and inform residents, while maintaining essential County operations and advocating for businesses and schools. To protect residents and the economy from the impact of the pandemic, she focused on vaccinating as many people as possible by building a robust vaccine infrastructure. Prior to becoming County Executive, Ms. Curran served two terms as a Nassau County Legislator, working across the political aisle to successfully implement programs and pass laws. Ms. Curran previously served on the Baldwin School Board, holding positions of President and Trustee. Before her career in public service, Ms. Curran was a reporter for the New York Daily News and New York Post. Ms. Curran earned a Bachelor of Arts from Sarah Lawrence College.

Dawn Sweeney – *Director* – Currently, Ms. Sweeney is serving as an Executive-In-Residence at Georgetown University's McDonough School of Business. In addition, Ms. Sweeney serves as Principal for the New England Consulting Group. Ms. Sweeney was previously the longest-serving and first woman President and CEO of the National Restaurant Association where she was responsible for advancing and protecting the U.S.'s one million restaurants and 15 million employees and oversaw a historic shift in the organization's governance and DE&I leadership, while more than doubling membership, employee engagement and revenues. Ms. Sweeney also led the negotiations for an equity partnership in Winsight Media, selling operational ownership of the National Restaurant Association's Show in 2018 and executing the single largest financial transaction in National Restaurant Association's hundred-year history. Ms. Sweeney also served in various roles, including as President of AARP Services, Vice President of Market Development for the National Rural Electric Cooperative Association and Vice President of Marketing of International Dairy Foods Association, where she launched the "milk mustache" advertising campaign. Ms. Sweeney is also an independent board member of SITE Centers Corp. (NYSE: SITC), where she serves on the Audit Committee and Compensation Committee. She is also Vice Chair of the board of MedStar's National Rehabilitation Hospital, where she serves as Chair of the Quality and Safety Committee. She previously served on the board of Save the Children US, where she led the Board Governance Review Committee. Ms. Sweeney has been twice named "Trade Association CEO of the Year" by two different national organizations. Ms. Sweeney is a member of the inaugural class of the Harvard Business School's "Women on Boards: Succeeding as a Corporate Director" program and is also an NACD (National Association of Corporate Directors) Certified Director (2021). Ms. Sweeney earned a Bachelor of Science in Government from Colby College and an MBA in Marketing with honors from The George Washington University.

Amy Peckham – *Director* – Ms. Peckham served as CEO of Etain, LLC from its founding in 2015 as a women-owned and -led private company until the completion of the Etain Acquisition in December 2022. Ms. Peckham was critical to Etain obtaining licensure in New York State as one of the state's first five ROs. During her tenure as CEO, all aspects of Etain reported up to Ms. Peckham and her experience encompassed development, operation and administration of Etain's cultivation and dispensary assets in New York's regulatory environment. Ms. Peckham also served as CEO of Etain IP LLC, a company holding and developing Etain's intellectual property assets, prior to the acquisition of Etain IP LLC by the Company in April 2022. In the interim between the acquisition of Etain IP LLC by the Company and the completion of the Etain Acquisition in December 2022, Ms. Peckham served as General Manager for the Etain Brand at RIV Capital US Services LLC. During her tenure at Etain, Ms. Peckham successfully spearheaded bids to win licenses for growing, processing, transporting and dispensing medical marijuana in several other states. Ms. Peckham also serves or has served as CEO for Etain MD, LLC, a company providing cannabis consulting services; Etain New Jersey, LLC, a vertically licensed alternative treatment centre in New Jersey; Beat Extracts, LLC, a hemp-focused company; Etain Health LLC, a past licensee in California; EH-NY, LLC, a realty company affiliated with Etain Health LLC; Brandco HoldCo, LLC, a holding company; and KDBF Ventures, LLC, a realty management company. Prior to Etain's founding and continuing through the present, Ms. Peckham served as Corporate Secretary and Management Advisor for Peckham Family Holdings, LLC, the parent company of one of the largest construction infrastructure material and construction companies in the U.S. Northeast. Ms. Peckham is currently a member of the board of directors of Peckham Industries, Inc., a subsidiary of Peckham Family Holdings, LLC and is Co-Founder and Corporate Secretary of the Peckham Family Foundation, a charitable organization.

Michael Totzke – *Interim Chief Executive Officer and Chief Operating Officer* – Mr. Totzke is the Chief Operating Officer and Interim Chief Executive Officer of the Company. Mr. Totzke brings extensive operational experience to the Company's management team, having held a variety of operations- and sales-focused roles across Scotts Miracle-Gro since 2006. Before joining the Company, Mike served in various roles at ScottsMiracle-Gro, most recently as

Vice President at The Hawthorne Collective, where he led a team of highly recognized performers across legal, finance, and strategy to implement innovative investment structures within the cannabis industry. Previously, he was Vice President of Sales for the National Accounts division of ScottsMiracle-Gro, where he grew annual sales by \$200 million over three years by activating new retail channels and driving incremental distribution points.

Edward Lucarelli – *Chief Financial Officer* – Mr. Lucarelli is the Chief Financial Officer of the Company. Prior to joining the Company in 2018, Mr. Lucarelli was an investment banker in the M&A group at TD Securities Inc. He provided sell-side and buy-side M&A advisory services to large and mid-cap Canadian companies. During his time at TD Securities Inc., Mr. Lucarelli worked on multiple transformative transactions across the telecommunications, financial services, and real estate industries. Mr. Lucarelli began his career at Deloitte where he was a business valuator in the firm’s financial advisory practice. He advised domestic and international clients across a variety of industries on business valuation matters for transaction, tax, audit, accounting, litigation and other purposes. During his time at Deloitte, Mr. Lucarelli also helped execute the firm’s global financial advisory strategy and completed a placement in London, England. Mr. Lucarelli holds a Bachelor of Commerce from the Smith School of Business at Queen’s University. He is a Chartered Professional Accountant (CPA Canada) and a Chartered Business Valuator (Canadian Institute of Chartered Business Valuators).

Matthew Mundy – *Chief Strategy Officer, General Counsel & Corporate Secretary* – Mr. Mundy is the Chief Strategy Officer, General Counsel and Corporate Secretary of the Company. Prior to joining the Company in 2018, Mr. Mundy was a corporate lawyer at Blakes, where his practice covered a wide range of corporate and commercial matters, including M&A, corporate reorganizations and corporate governance. He advised purchasers, vendors and targets on domestic and international transactions, and his practice involved acting for clients in a variety of sectors, including the private equity, financial services, cannabis and manufacturing sectors. Mr. Mundy was also an active member of the Blakes cannabis group and regularly wrote and spoke on the latest developments in the industry. Prior to Blakes, Mr. Mundy clerked at the Ontario Court of Appeal for Chief Justice Warren Winkler and Justice Gloria Epstein. Mr. Mundy holds a B.A. (Hon.) in Political Science and Sociology from McGill University, an M.A. in Journalism from the University of Southern California, and a J.D. (Hon., Valedictorian) from the University of Toronto.

Amanda Rico – *Chief Human Resources Officer* – Ms. Rico is the Chief Human Resources Officer of the Company. Ms. Rico brings extensive HR experience to the Company’s management team, having held a variety of HR focused roles across ScottsMiracle-Gro. Prior to joining the Company, Ms. Rico most recently served as the Vice President of Human Resource Operations at Scotts Miracle-Gro. In this role, she was responsible for managing all HR Operations for the company, primarily supporting The Hawthorne Gardening division. As an HR professional with over 17 years of experience, she has worked in various industries, bringing a unique perspective to supporting people operations and a passion for creating a diverse and inclusive culture. Ms. Rico holds a bachelor’s degree in business from The Ohio State University.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

To the knowledge of the Company, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, as at the date hereof, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best knowledge of the Company, and other than as disclosed below and otherwise herein, there are no known existing or potential material conflicts of interest between the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company, except that certain of the directors or officers of the Company serve as directors, officers or promoters of other companies and therefore it is possible that a conflict may arise between their duties as a director, officer or promoter of the Company and their duties as a director or officer of such other companies.

Christopher Hagedorn, a director of the Company who is one of the Hawthorne Nominees, serves as the Executive Vice President and Division President of The Hawthorne Gardening Company, a wholly-owned subsidiary of Scotts Miracle-Gro. During the year ended March 31, 2023, the Company purchased equipment for \$1,208,000 from Hawthorne Hydroponics (a separate subsidiary of Scotts Miracle-Gro), for its Chestertown cultivation and production facility. The purchases were made on market terms and approved by the Company's Conflicts Review Committee. The Company has also entered into several agreements with The Hawthorne Collective in connection with the Hawthorne Investments. See "*Material Contracts – Initial Note Purchase Agreement and Convertible Note I*"; "*Material Contracts – Additional Note Purchase Agreement and Convertible Note II*"; and "*Material Contracts – Hawthorne Investor Rights Agreement and Amendment No. 1 to Hawthorne Investor Rights Agreement*" for further information.

Amy Peckham, a director of the Company who is the Etain Investors' Nominee, serves as CEO and may provide other services to the following entities that entered into ongoing arrangements with the Company in connection with the Etain Acquisition: (i) BrandCo HoldCo LLC, which was a party to the Etain Acquisition and pursuant to which there are surviving obligations of the parties under the Equity Purchase Agreement and Etain Investor Rights Agreement; (ii) Etain New Jersey, LLC, Etain MD, LLC and Etain Europe GmbH, all of which license certain intellectual property from a subsidiary of the Company pursuant to reverse licensing agreements entered into in connection with the Etain Acquisition; and (iii) KDBF Ventures, LLC, which owns and leases the cultivation and processing facility in Chestertown, as well as two of Etain's retail dispensaries to a subsidiary of the Company, which then subleases such properties to Etain LLC. During the year ended March 31, 2023, the Company recognized collective lease payments of \$2,035,000 to KDBF Venture LLC. The lease agreements between the Company and KDBF were negotiated at

market terms. Each of the arrangements with the above listed entities were entered into on arm's length terms and approved by the Board in connection with the Etain Acquisition.

See "*Risk Factors – General Risks – Conflicts of Interest*" for additional information.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflict of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable law and they will govern themselves in respect thereof to the best of their ability in accordance with the obligation imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set out below, the Company is not aware of: (a) any legal proceedings to which the Company is a party, or to which any of the Company's property is subject, which would be material to the Company or of any such proceedings being contemplated, (b) any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, or other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and (c) any settlement agreements that the Company has entered into before a court relating to securities legislation or with a securities regulatory authority.

On May 18, 2022, JWAM initiated the JWAM Application, pursuant to which JWAM sought a remedy requiring the Company to repurchase the JWAM Shares at a price of C\$1.65 per Share. The JWAM Application was heard by a judge of the Ontario Superior Court of Justice (Commercial List) on September 1, 2022. On February 23, 2023, the Company announced that it had entered into the Settlement Agreement, pursuant to which JWAM consented to the dismissal, without costs, of its application related to the Etain Acquisition. Under the terms of the settlement agreement, the Company repurchased for cancellation all Common Shares owned or controlled by JWAM and its affiliates, and also reimbursed certain legal expenses incurred by JWAM as part of its application and related matters. See "*General Development of the Business – History – Recent Developments*" and "*Material Contracts – JWAM Settlement Agreement*" for further details regarding the JWAM Application and the terms and conditions of the Settlement Agreement.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein and in the consolidated financial statements of the Company for the financial year ended March 31, 2023, to the best of the Company's knowledge, no director or executive officer of the Company or persons or companies who directly or indirectly beneficially own, or exercise control or direction over, more than 10% of any class of the Company's outstanding voting securities, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three financial years before the date of this AIF or during the current financial year, that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Odyssey Trust Company at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

This Annual Information Form includes a summary description of certain material agreements of the Company. The summary description discloses all attributes the Company believes to be material to an investor in securities of the Company but is not complete and is qualified by reference to the terms of the material agreements, which have been filed under the Company's profile on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such material agreements.

Except for certain contracts entered into in the ordinary course of business of the Company, the following are the only contracts entered into by the Company on or after March 31, 2022 (or prior to March 31, 2022 if still in effect) that are material to the Company as of the date hereof:

- (a) Convertible Promissory Note Purchase Agreement dated August 9, 2021 between the Company and The Hawthorne Collective;
- (b) Convertible Promissory Note dated August 24, 2021 between the Company and The Hawthorne Collective;
- (c) Investor Rights and Strategic Opportunities Agreement dated August 24, 2021 between The Hawthorne Collective, the Company and The Hawthorne Gardening Company;
- (d) Equity Purchase Agreement dated March 30, 2022 between BrandCo HoldCo, LLC, the Company, Hillary A. Peckham, Keeley M. Peckham, John D. Peckham and Gregory D. Peckham (the “**Equity Purchase Agreement**”);
- (e) Membership Interest Purchase Agreement dated March 30, 2022 between LicenseCo HoldCo, LLC, Hillary A. Peckham, Keeley M. Peckham, John D. Peckham, Gregory D. Peckham, Allgro Holdings LLC and the Company (the “**Membership Interest Purchase Agreement**”);
- (f) Amendment No.1 to Investor Rights and Strategic Opportunities Agreement dated March 30, 2022 between The Hawthorne Collective, the Company and The Hawthorne Gardening Company;
- (g) Convertible Promissory Note Purchase Agreement dated March 30, 2022 between the Company and The Hawthorne Collective;
- (h) Convertible Promissory Note dated April 22, 2022 between the Company and The Hawthorne Collective;
- (i) Investor Rights Agreement dated April 22, 2022 between BrandCo HoldCo, LLC, Hillary A. Peckham, Keeley M. Peckham, John D. Peckham, Gregory D. Peckham (collectively, the “**Etain Investors**”) and the Company (the “**Etain Investor Rights Agreement**”); and
- (j) Settlement Agreement dated February 23, 2023 between the Company, JWAM and the JWAM Funds (the “**Settlement Agreement**”).

Initial Note Purchase Agreement and Convertible Note I

Financial Terms

The Convertible Note I is an unsecured obligation of the Company. The Convertible Note I has a maturity date of August 24, 2027, and bears interest at a rate of approximately 2.0% per annum until August 24, 2023, after which no interest will accrue for the remainder of the term. Accrued interest will be payable on the maturity date or will be included in the conversion value of the Convertible Note I at the time of conversion.

Conversion Terms

Subject to obtaining all applicable regulatory approvals set out in the Convertible Note I and Initial Note Purchase Agreement (including under the *Investment Canada Act* (Canada), *Competition Act* (Canada) and/or the *U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976*), the Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company’s discretion upon the later of: (i) August 24, 2023; and (ii) the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027.

Convertible Note I is convertible into Common Shares at a fixed conversion price of C\$1.90 per Common Share.

Assuming full conversion of the Convertible Note I, including the full amount of the anticipated accrued interest over the life of the Convertible Note I, The Hawthorne Collective would be entitled to receive 103,224,782 Common Shares.

In addition, the Convertible Note I provides The Hawthorne Collective with a “top-up” option to purchase additional convertible promissory notes to increase its pro rata ownership of the Company, to a maximum of 49% of the Company’s outstanding Common Shares, on substantially the same terms of the Convertible Note I and at a conversion price equal to the greater of: (i) the market price of the Common Shares at the close of trading on the day immediately prior to The Hawthorne Collective providing notice of its election to exercise its top-up option, and (ii) the lowest conversion price permitted by the rules of the CSE or such other principal stock exchange on which such Common Shares are listed without the requirement for the Company to obtain security holder approval.

Transfer Restrictions

The Convertible Note I may not be transferred by The Hawthorne Collective other than to one of its affiliates, without the prior written consent of the Company, not to be unreasonably withheld.

Restrictions on Use of Proceeds

The terms of the Convertible Note I provide that the proceeds from the Initial Hawthorne Investment cannot be used directly or indirectly to engage in any activities that are illegal in any jurisdiction in which such activities occur or in any jurisdiction in which the Company is domiciled or qualified to do business (including investing directly in cannabis or cannabis-related operations in the U.S.).

Representations, Warranties and Covenants

For as long as The Hawthorne Collective holds the Convertible Note I, the Company is subject to certain covenants that restrict, among other things, the ability of the Company to take the following actions without the consent of The Hawthorne Collective (not to be unreasonably withheld): (i) make amendments to its constating documents; (ii) increase or decrease the size of the Board; (iii) incur indebtedness in excess of \$100,000,000; (iv) create, issue, transfer or distribute in any way securities to any person or entity that would result in The Hawthorne Collective owning less than 20% percent of the Common Shares, on a partially-diluted basis; (v) change its domicile or place of incorporation; (vi) change its stock exchange listing to an exchange other than the CSE or voluntarily delist its securities entirely; or (vii) make any fundamental changes, such as merging into or amalgamating or consolidating with any other person or permitting any such transaction, subject to certain exceptions.

Events of Default

The occurrence of any of the following events constitute an event of default under the Convertible Note I: (i) failure to pay The Hawthorne Collective any amount payable by the Company under the Convertible Note I when due and the Company’s failure to cure such default within 30 days thereof; (ii) any representation or warranty made by the Company in the Initial Note Purchase Agreement that is false, incorrect or misleading in any material respect when made and would reasonably be expected to have a material adverse effect on the Company’s ability to fulfill any of its obligations under the Convertible Note I and Initial Note Purchase Agreement; (iii) the failure to observe or perform any covenant, where such failure is incapable of being cured or such failure continues for 30 days after the Company’s receipt of The Hawthorne Collective’s written notice of such failure or an intentional and willful breach of any of the Company’s obligations under the Hawthorne Investor Rights Agreement; (iv) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary; (v) the institution by the Company of proceedings to be adjudicated as bankrupt or insolvent or the seeking by it of relief under any applicable federal, provincial, state or other law relating to bankruptcy; (vi) the commencement of any proceedings by a person for the bankruptcy or any similar proceedings against or affecting the Company that is not dismissed or stayed within 30 days of commencement thereof or the appointment without the consent or acquiescence of the Company of any trustee, receiver or liquidator of the Company or of all or any substantial portion of the properties of the Company that has not been vacated within 60 days thereof; (vii) a final, non-appealable judgment for the payment of money in excess of \$20,000,000 that is outstanding against the Company and such judgment is not, within 30 days after the entry thereof, discharged or execution thereof stayed or bonded pending appeal, or such judgment is not discharged prior to the expiration of any such stay; or (viii) where the holder of any security, interest, hypothec, charge, encumbrance, lien or claim against any of the Company’s assets does anything to enforce or realize on such security, interest, hypothec, charge,

encumbrance, lien or claim, or takes possession of any part of the Company's property, the value of which either alone or in the aggregate is at least \$20,000,000, provided that such enforcement, realization or taking of possession continues in effect and remains undischarged for a period of 45 days.

Upon the occurrence and during the continuance of any event of default, The Hawthorne Collective is entitled to, at any time thereafter by written notice to the Company, declare all principal and accrued interest under the Convertible Note I to be immediately due and payable.

Termination Rights and Events

The Initial Note Purchase Agreement contains certain automatic termination events, including (i) on conversion of the Convertible Note I, or (ii) if the Convertible Note I is no longer outstanding.

Hawthorne Investor Rights Agreement and Amendment No. 1 to Hawthorne Investor Rights Agreement

Board Nomination Rights

The Hawthorne Collective is currently entitled to designate three nominees for election to the Board, and is entitled to nominate up to four directors on an expanded nine-person Board commencing on the Initial Designation Date (each a "**Hawthorne Nominee**") for so long as The Hawthorne Collective's Beneficial Ownership (as defined herein) is at least 33% of the outstanding Common Shares. "**Beneficial Ownership**" means, the aggregate interest of The Hawthorne Collective and its affiliates calculated as a percentage, (i) the numerator of which shall be the number of Common Shares beneficially owned or controlled by The Hawthorne Collective and its affiliates at the relevant date (including any Common Shares underlying the Convertible Note I and any additional notes beneficially owned or controlled by The Hawthorne Collective and its affiliates), and (ii) the denominator of which shall be the sum of the number of Common Shares issued and outstanding as at such relevant date plus the number of Common Shares underlying the Convertible Note I and any additional notes beneficially owned or controlled by The Hawthorne Collective and its affiliates at the relevant date.

If The Hawthorne Collective's Beneficial Ownership is (i) below 33% (but not less than 20%), or (ii) below 20% (but The Hawthorne Collective and its affiliates continue to beneficially own at least 60% of either the principal amount of the Convertible Note I or the Common Shares into which the original principal amount of the Convertible Note I was convertible), the number of nominees The Hawthorne Collective's is entitled to nominate will be reduced to two and one, respectively. After the Initial Designation Date, the number of nominees The Hawthorne Collective is entitled to nominate will be reduced to three and two, respectively.

Each Hawthorne Nominee must meet the qualification requirements to serve as a director under the OBCA, Canadian and U.S. securities laws and/or the applicable rules of the CSE or any other exchange on which the Common Shares are listed, and must not be an employee of, involved in the day-to-day operations of, or have a fiduciary responsibility to, a competitor of the Company. If The Hawthorne Collective is entitled to designate more than one Hawthorne Nominee, at least one of the Hawthorne Nominees so designated must qualify as an independent director under applicable securities laws and/or the applicable rules of the CSE or any other exchange on which the Common Shares are listed.

In the event that the Hawthorne Nominee ceases to serve as a director for any reason, The Hawthorne Collective has the right to designate a replacement Hawthorne Nominee, provided that The Hawthorne Collective remains eligible to designate a nominee and the replacement meets the qualification criteria to serve as a director under the OBCA and the rules of the CSE.

Participation Rights

For so long as the beneficial ownership of The Hawthorne Collective is equal to or greater than 10% (the "**Beneficial Ownership Requirement**"), The Hawthorne Collective is entitled customary participation rights in subsequent offerings of the Company to maintain its beneficial ownership interest immediately prior to such subsequent offerings.

Registration Rights

The Hawthorne Collective is entitled to certain registration rights relating to the resale of Common Shares issuable upon conversion of the Convertible Note I (the “**Registrable Shares**”). The Company is required to file a prospectus covering Registrable Shares that The Hawthorne Collective requests to be registered from time to time, but not more than twice in any one 12-month period and subject to certain additional conditions set out in the Hawthorne Investor Rights Agreement. In certain circumstances, The Hawthorne Collective has piggyback registration rights on offerings initiated by the Company. The demand registration and piggyback rights granted to The Hawthorne Collective pursuant to the Hawthorne Investor Rights Agreement terminate on the earlier of: (a) the Company having effected five demand registrations; and (b) the first day following the date on which the Beneficial Ownership Requirement is no longer satisfied.

Standstill

The Hawthorne Collective is subject to a standstill, which, among other things and subject to certain exceptions, restricts The Hawthorne Collective from taking certain actions with respect to the Company, including: (i) the acquisition of additional securities of the Company from any third party other than the Company or its affiliates; (ii) commencing a take-over bid for any securities of the Company or its subsidiaries; (iii) effecting, seeking, offering or proposing any take-over bid, amalgamation, merger, arrangement, business combination, re-organization, restructuring, liquidation by or with respect to the Company or any of its subsidiaries, or disposition of more than 50% (by fair market value) of the consolidated assets of the Company and its subsidiaries, taken as a whole; (iv) requesting, requisitioning or calling a special meeting of shareholders of the Company; (v) proposing a shareholder proposal (under the applicable provisions of the OBCA) with respect to the Company; (vi) seeking to obtain representation on the Board other than in accordance with the Hawthorne Investor Rights Agreement; (vii) engaging in short sales of any of the Company or its subsidiaries’ securities; (viii) soliciting proxies from the security holders of the Company, or form, join or act jointly or in concert to so solicit, in relation to, among other things, a proposed change of control transaction or, for three years, any proposed changes to the Board that is not approved by the independent directors of the Board or otherwise made in accordance with the Hawthorne Investor Rights Agreement; (ix) entering into or offering to enter into a lockup, voting, support or similar agreement in connection with any change of control transaction that is not supported by a majority of the independent members of the Board; (x) advising, assisting, contacting, encouraging or acting jointly or in concert with any other person to engage in any of the activities restricted under the Hawthorne Investor Rights Agreement; and (xi) making any public disclosure with respect to the foregoing, including, any consideration, intention, plan or arrangement inconsistent with any of the foregoing. The standstill obligations began on the date of the Hawthorne Investor Rights Agreement and remain for as long as the Beneficial Ownership Requirement is satisfied.

For three years from the date of the Hawthorne Investor Rights Agreement, The Hawthorne Collective agreed in respect of any meeting of the shareholders of the Company held during that period to: (i) not vote against any Company nominee; (ii) not vote in favour of any director nominee that is not a Hawthorne Nominee or approved by the independent directors of the Board; (iii) not vote in favour of any proposal or resolution to remove any member of the Board; and (iv) not vote against the recommendations of the Board on certain matters at each annual meeting of shareholders as more particularly set out in the Hawthorne Investor Rights Agreement. In this context, “vote against” includes submission by The Hawthorne Collective of a proxy or other voting instruction form pursuant to which The Hawthorne Collective specifically directs that its vote be withheld on a matter or otherwise casts a “withhold” vote on a matter but does not include The Hawthorne Collective abstaining from casting a vote on a matter altogether.

Transfer Restrictions

The Hawthorne Collective is subject to a limitation on transfers that prohibits it from transferring any Common Shares (or any other right or option to acquire Common Shares) to or for the benefit of any person where that other person (i) would, immediately following such transfer, either alone or together with other persons acting jointly or in concert with such person, beneficially own, or exercise control or direction over, more than 19.99% of the issued and outstanding Common Shares on the date of such transfer, or (ii) is a competitor or an affiliate of a competitor, unless such transfer is approved by a majority of the independent directors of the Board or is in connection with a change of control transaction supported by a majority of the independent directors of the Board.

Business Opportunities

Subject to certain exceptions, including transactions in the ordinary course of business or in respect of businesses in which The Hawthorne Collective or its affiliates (including ScottsMiracle-Gro and The Hawthorne Gardening Company) has a pre-existing interest and non-cannabis related businesses, all as more particularly described in the Hawthorne Investor Rights Agreement, The Hawthorne Collective agreed to present exclusively to the Company, as its preferred investment vehicle, all business opportunities in the cannabis sector The Hawthorne Collective or its affiliates identify and wish to pursue, including furnishing the Company with all reasonable information and using commercially reasonable efforts to assist the Company in obtaining such information as is reasonably required by the Company to prudently evaluate a business opportunity. Neither The Hawthorne Collective nor its affiliates shall, directly or indirectly, pursue, participate in any negotiations regarding, or enter into any agreement, arrangement or understanding with respect to any such business opportunity without first presenting it to the Company and complying with its obligations under the Hawthorne Investor Rights Agreement.

The Company may elect to either pursue or reject any such business opportunity. If the Company elects to proceed with a proposed business opportunity, the Company will undertake due diligence regarding such opportunity, and the Company and The Hawthorne Collective will cooperate in good faith to reach a mutually agreeable structure and terms (including, if applicable, any external financing supported by The Hawthorne Collective or that The Hawthorne Collective is willing to provide) in respect thereof. For any business opportunities rejected by the Company, The Hawthorne Collective and its affiliates are permitted, subject to the terms and limitations of the Hawthorne Investor Rights Agreement, to independently pursue such opportunity independent of the Company, provided that The Hawthorne Collective or any of its affiliates enters into a definitive agreement in respect of such business opportunity within 180 days following the Company's rejection thereof. In addition, The Hawthorne Collective must also present a rejected opportunity to the Company once again in the event that the definitive agreement(s) in respect of such rejected opportunity contemplates or provides for: (i) an implied valuation for the covered business that is at least 15% lower from that contemplated on the rejection date; (ii) the level of post-closing equity ownership, directly or indirectly, in the covered business, on a fully diluted basis, (A) increases from less than or equal to 50% to more than 50% or (B) decreases from more than 50% to less than or equal to 50%, in each case, from that contemplated on the rejection date; or (iii) the amount of the investment or other consideration to be received by the applicable counterparties is at least 15% higher or lower in the aggregate from that contemplated on the rejection date. The election of the Company not to participate in a business opportunity in any one instance does not affect its right to any subsequent business opportunities.

Additional Note Purchase Agreement and Convertible Note II

The Additional Note Purchase Agreement and Convertible Note II include substantially the same terms as the Initial Note Purchase Agreement and the Convertible Note I. Please refer to the description above under "*Initial Note Purchase Agreement and Convertible Note I*".

The Convertible Note II has a maturity date of August 24, 2027, and bears interest at a rate of approximately 2.0% per annum until April 22, 2024, after which no interest will accrue for the remainder of the term. The Convertible Note II is convertible into Common Shares at a fixed conversion price of C\$1.65 per Common Share. The Convertible Note II may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion upon the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027. Assuming full conversion of the Convertible Note II, including the full amount of the anticipated accrued interest over the life of the Convertible Note II, The Hawthorne Collective would be entitled to receive 19,722,524 Common Shares.

Equity Purchase Agreement and Membership Interest Purchase Agreement

Aggregate Consideration

Under the terms of the Etain Purchase Agreements, the aggregate purchase price payable by the Company to acquire ownership and control of the Etain Companies is approximately \$212,219,205 in cash, subject to customary adjustments, and approximately \$34,786,534 by the issuance of Common Shares. The value of the 26,365,419

Common Shares was based on the five-day volume-weighted average price of such shares on the CSE as of March 29, 2022.

Closing

The Etain Acquisition closed in two stages – the Initial Etain Closing occurred on April 22, 2022 and the Second Etain Closing occurred on December 15, 2022. Approximately 80% of the purchase price was payable upon the Initial Etain Closing, with the remainder paid upon the Second Etain Closing.

Escrow and Indemnification

Under the terms of the Equity Purchase Agreement, the Company deposited \$15,600,000 with an escrow agent on the Initial Closing, followed by an additional \$3,900,000 on the Second Etain Closing in accordance with the terms of the Equity Purchase Agreement and an escrow agreement (the “**Escrow Agreement**”). Such deposited amounts are to be held as security for certain indemnification obligations of the registered and beneficial holders of the equity interests of the Etain Companies under the Equity Purchase Agreement and the release of which is subject to the disbursement terms contained in the Equity Purchase Agreement and the Escrow Agreement.

Representations and Warranties

The Equity Purchase Agreement contains customary representations and warranties made by the Company to the registered and beneficial holders of the equity interests of Etain IP LLC, and customary representations and warranties made by the registered and beneficial holders of the equity interests of Etain IP LLC to the Company.

The representations and warranties in the Equity Purchase Agreement are subject to exceptions set forth in the disclosure schedules, and may be subject to certain qualifications, limitations and exceptions agreed to by the parties.

The representations and warranties contained in the Equity Purchase Agreement are to survive the Initial Etain Closing for purposes of the indemnification obligations described under the heading “*Escrow and Indemnification*” and shall terminate on the close of business on the date is fifteen (15) months after the date of the Initial Etain Closing; provided that certain “fundamental representations” shall terminate on the close of business on the date that is sixty (60) months after the Initial Etain Closing and certain representations and warranties shall terminate sixty (60) days following the expiration of the applicable statute of limitations.

The Membership Interest Purchase Agreement contains customary representations and warranties made by the Company to the registered and beneficial holders of the equity interests of Etain LLC and customary representations and warranties made by the registered and beneficial holders of the equity interests of Etain LLC to the Company.

The representations and warranties contained in the Membership Interest Purchase Agreement are to survive the Second Etain Closing for purposes of the indemnification obligations described under the heading “*Escrow and Indemnification*” and shall terminate on the close of business on the date is fifteen (15) months after the Second Etain Closing, provided that certain “fundamental representations” shall terminate on the close of business on the date that is sixty (60) months after the date of the Second Etain Closing.

Etain Investor Rights Agreement

Board Nomination Rights

Provided that the beneficial ownership of the Etain Investors is collectively greater than or equal to 10% (the “**Etain Beneficial Ownership Requirement**”), the group representative of the Etain Investors (the “**Group Representative**”), is entitled to designate one nominee (the “**Etain Investors’ Nominee**”) for election to the Board commencing on the Initial Designation Date.

The Etain Investors’ Nominee must meet the qualification requirements to serve as a director under the OBCA, Canadian and U.S. securities laws and/or the applicable rules of the CSE or any other exchange on which the Common Shares are listed, and must not be an employee of, involved in the day-to-day operations of, or have a fiduciary

responsibility to, a competitor of the Company (the “**Qualification Criteria**”). The initial Etain Investors’ Nominee shall be Amy Peckham.

In the event that the Etain Investors’ Nominee ceases to serve as a director for any reason, the Group Representative, on behalf of the Etain Investors, has the right to designate a replacement Etain Investors’ Nominee, provided that the Group Representative remains eligible to designate a nominee and the replacement meets the Qualification Criteria.

Effective on the date on which the initial Etain Investors’ Nominee is elected or appointed to the Board (the “**Initial Nomination Date**”), the Group Representative, on behalf of the Etain Investors, shall have the right (but not obligation) to designate one non-voting observer (the “**Etain Investors’ Observer**”) to attend all meetings of the Board.

The Etain Investors’ Observer shall not be entitled to: (i) vote on any matters brought before the Board, or (ii) attend or receive materials related to (x) meetings or portions of meeting of the Board comprised exclusively of members of the Board other than any directors that are the Etain Investors’ Nominee, Hawthorne Nominees or members of the Company’s management team (the “**Independent Directors**”), (y) meetings of any committee of the Board unless invited by the chair of the applicable committee of the Board, or (z) meetings or portions of meetings of the Board where the Board reasonably determines that (A) access to any such materials or attendance at such meetings is reasonably likely to violate the terms of any confidentiality agreement to which the Company is subject or adversely affect the preservation of any attorney-client privilege, or (B) there could be a potential conflict as a matter of applicable corporate law as a result of the topic of discussion in the Board meeting to the Etain Investors’ Observer.

The right to designate the Etain Investors’ Nominee terminates on the later to occur of (i) the date that is 15 months from the Initial Nomination Date, and (ii) the first day following the date on which the Etain Investors cease to collectively have beneficial ownership greater than or equal to 10%.

The right to designate the Etain Investors’ Observer terminates on the later to occur of (i) the date that is 18 months from the Initial Nomination Date, and (ii) the first day following the date on which the Etain Investors cease to collectively have beneficial ownership greater than or equal to 10%.

Registration Rights

The Etain Investors’ are entitled to certain registration rights relating to the resale of Common Shares beneficially owned or controlled by Etain Investors (the “**Etain Investors’ Registrable Shares**”). At any time and from time to time following the date that is 18 months following the Initial Nomination Date, the Company is required to file a prospectus covering Etain Investors’ Registrable Shares that the Group Representative, on behalf of the Etain Investors, requests to be registered; provided that the Company shall not be obligated to effect more than one registration in any one 12-month period and subject to certain additional conditions set out in the Etain Investor Rights Agreement. In certain circumstances, the Group Representative, on behalf of the Etain Investors, is entitled to piggyback registration rights on offerings initiated by the Company to effect a proposed distribution for its own account, or for the account of any other security holder, other than The Hawthorne Collective. The demand registration and piggyback rights granted to the Etain Investors pursuant to the Etain Investor Rights Agreement will terminate on the earlier of: (a) the Company having effected two demand registrations; and (b) the first day following the date on which the Etain Beneficial Ownership Requirement is no longer satisfied.

Standstill

The Etain Investors are subject to a standstill, which, among other things and subject to certain exceptions, restricts the Etain Investors from taking certain actions with respect to the Company, including: (i) the acquisition of additional securities of the Company from any third party other than the Company, to the extent it would result in the Etain Investors collectively holding beneficial ownership over more than 19.9% of the Common Shares; (ii) commencing a take-over bid for any securities of the Company or its subsidiaries; (iii) effecting, seeking, offering or proposing any take-over bid, amalgamation, merger, arrangement, business combination, re-organization, restructuring, liquidation by or with respect to the Company or any of its subsidiaries, or disposition of more than 50% (by fair market value) of the consolidated assets of the Company and its subsidiaries, taken as a whole; (iv) requesting, requisitioning or calling a special meeting of shareholders of the Company; (v) proposing a shareholder proposal (under the applicable provisions of the OBCA) with respect to the Company; (vi) seeking to obtain representation on the Board other than in accordance with the Etain Investor Rights Agreement; (vii) engaging in short sales of any of the Company or its

subsidiaries' securities; (viii) soliciting proxies from the security holders of the Company, or form, join or act jointly or in concert to so solicit, in relation to, among other things, a proposed change of control transaction or, for 18 months from the Initial Nomination Date, any proposed changes to the Board that is not approved by the Independent Directors or otherwise made in accordance with the Etain Investor Rights Agreement; (ix) entering into or offering to enter into a lockup, voting, support or similar agreement in connection with any change of control transaction that is not supported by a majority of the Independent Directors; (x) advising, assisting, contacting, encouraging or acting jointly or in concert with any other person to engage in any of the activities restricted under the Etain Investor Rights Agreement; and (xi) making any public disclosure with respect to the foregoing, including, any consideration, intention, plan or arrangement inconsistent with any of the foregoing. The standstill obligations began on the date of the Etain Investor Rights Agreement and remain in effect until the later of (i) the first day following the date on which the Etain Beneficial Ownership Requirement is no longer satisfied, or (ii) the date that is at least 18 months from the Initial Nomination Date.

Until the date that is six months from the date of the Initial Nomination Date, each of the Etain Investors agrees in respect of any meeting of the shareholders of the Company held during that period to: (i) not vote against any Company nominee; (ii) not vote in favour of any director nominee that is not a Etain Investors' Nominee, a Hawthorne Nominee or a Company nominee; (iii) not vote in favour of any proposal or resolution to remove any member of the Board; and (iv) not vote against the recommendations of the Board on certain matters at each annual meeting of shareholders as more particularly set out in the Etain Investor Rights Agreement. In this context, "vote against" includes submission by the investor of a proxy or other voting instruction form pursuant to which the investor specifically directs that its vote be withheld on a matter or otherwise casts a "withhold" vote on a matter but does not include The Hawthorne Collective abstaining from casting a vote on a matter altogether.

Transfer Restrictions

Until the date that is six months from the Initial Nomination Date, each of the Etain Investors has agreed that it shall not, directly or indirectly (i) sell, offer to sell, contract to sell, grant any option, warrant or other right for the sale of, or otherwise lend, transfer, assign or dispose of any Common Shares or securities which are exercisable for, convertible into or exchangeable for Common Shares, including using methods more particularly set out in the Etain Investor Rights Agreement, (ii) secure or pledge any Common Shares or securities which are exercisable for, convertible into or exchangeable for Common Shares, or (iii) agree to or announce any intention to do any of the foregoing things.

In addition, subject to limited exceptions, each of the Etain Investors has agreed that it shall not transfer any Common Shares (or any other right or option to acquire Common Shares) to or for the benefit of any person where that other person (i) would, immediately following such transfer, either alone or together with other persons acting jointly or in concert with such person, beneficially own, or exercise control or direction over, more than 19.99% of the issued and outstanding Common Shares on the date of such transfer, or (ii) is a competitor or an affiliate of a competitor.

JWAM Settlement Agreement

Settlement Transaction

Pursuant to the Settlement Agreement, the Company repurchased for cancellation all Common Shares owned or controlled by JWAM (the "**JWAM Shares**"), for an aggregate purchase price of \$19,675,000 (the "**Settlement Transaction**"). The Company also reimbursed JWAM for legal expenses related to the application in an amount of \$375,000. The parties also agreed to obtain an order dismissing the application initiated by JWAM without costs. JWAM and its affiliated funds also withdrew their requisition for a special meeting of shareholders of the Company and acknowledged that the Company could, in its sole discretion, cancel the special meeting.

Representations, Warranties and Covenants

JWAM, its affiliated funds, Jason Wild and the Company made certain customary representations and warranties in the Settlement Agreement, including representations that each of JWAM, its affiliated funds and Jason Wild were not

resident in Canada. JWAM, its affiliated funds and Jason Wild also agreed to certain covenants, including a full and final release in favour of the Company and a standstill covenant until February 1, 2025.

AUDIT COMMITTEE INFORMATION

The Audit Committee is responsible for monitoring the Company's systems and procedures for financial reporting and internal controls, reviewing certain public disclosure documents, including the Company's annual audited financial statements and unaudited quarterly financial statements, and monitoring the performance and independence of the Company's external auditors. The Audit Committee is also responsible for reviewing with management the Company's risk management policies, the timeliness and accuracy of the Company's regulatory filings and all related party transactions as well as the development of policies and procedures related to such transactions.

Audit Committee Charter

The Audit Committee is governed by its charter, which is attached hereto as Appendix "A" hereto.

Composition of the Audit Committee

As at the date hereof, the Audit Committee is composed of the following members: Mr. Mavrinac (Chair), Mr. Mimran and Ms. Sweeney. Mr. Mavrinac, Mr. Mimran and Ms. Sweeney are all considered "independent" within the meaning of NI 52-110. Based on the education and breadth of experience of each Audit Committee member, the Board has determined each such member to be "financially literate" within the meaning of NI 52-110.

Relevant Education and Experience

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues.

The following is a brief summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member:

Richard Mavrinac

Richard Mavrinac is a director of the Company and the Chair of the Audit Committee. Mr. Mavrinac served as the Chief Financial Officer of George Weston Limited and the Executive Vice-President of Loblaw Companies Limited, two of Canada's largest companies operating in the retail grocery and bakery sectors from 2003 to 2007. As Chief Financial Officer of George Weston Limited, Mr. Mavrinac's experience encompassed all aspects of finance, including overall responsibility for financial reporting, treasury, risk management, pension and benefits, investor relations, taxation and acquisitions and divestitures. Mr. Mavrinac began his career with Loblaw Companies Limited in 1982 as Director of Taxation, subsequently holding a variety of financial positions within the company. In 1996, Mr. Mavrinac assumed the role of Senior Vice-President, Finance for George Weston Limited and Loblaw Companies Limited. Mr. Mavrinac is currently a member of the board of directors of Roots Corporation, the Company, TerrAscend and Gage Growth Corp., and brings specific experience in the retail and cannabis sectors to the Board. Mr. Mavrinac received his Bachelor of Commerce degree from the University of Toronto in 1975 and began his career with Peat Marwick Mitchell Chartered Accountants after receiving his Chartered Accountant designation in 1978.

Joseph Mimran

Joseph Mimran is a director of the Company and a member of the Audit Committee. Mr. Mimran founded or co-founded and built brands that include Joe Fresh™, Club Monaco, Alfred Sung, Caban and Pink Tartan. In addition, Mr. Mimran is the Chairman of Gibraltar & Company, Inc., and was formerly the Co-Chief Executive Officer of Gibraltar Opportunity, Inc. and Gibraltar Growth Corporation. Mr. Mimran founded the consulting firm JMA in 2001

and co-founded The Monaco Group in 1980 and took Club Monaco public in 1986. Club Monaco was purchased by Dylex in 1989 and then repurchased by Mr. Mimran in 1991. Mr. Mimran also founded and launched Caban and took the business public in 1997. In 1999, he sold Club Monaco (and Caban) to Ralph Lauren for an equity value of \$77,500,000. Mr. Mimran began his career at Coopers & Lybrand (now PricewaterhouseCoopers) after receiving his Chartered Accountant designation.

Dawn Sweeney

Dawn Sweeney is a director of the Company and a member of the Audit Committee. Ms. Sweeney serves as an Executive-In-Residence at Georgetown University’s McDonough School of Business and is Principal for the New England Consulting Group. Ms. Sweeney was formerly the President and CEO of the National Restaurant Association, President of AARP Services, Vice President of Market Development for the National Rural Electric Cooperative Association and Vice President of Marketing of International Dairy Foods Association. Ms. Sweeney is also an independent board member of SITE Centers Corp. (NYSE: SITC), where she serves on the Audit Committee and Compensation Committee. She is also Vice Chair of the board of MedStar’s National Rehabilitation Hospital, where she serves as Chair of the Quality and Safety Committee. She previously served on the board of Save the Children US, where she led the Board Governance Review Committee. Ms. Sweeney is a member of the inaugural class of the Harvard Business School’s “Women on Boards: Succeeding as a Corporate Director” program and is also an NACD (National Association of Corporate Directors) Certified Director (2021). Ms. Sweeney earned a Bachelor of Science in Government from Colby College and an MBA in Marketing with honors from The George Washington University.

Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year, has any recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Company on behalf of the Board.

Pre-Approvals Policies and Procedures

Subject to the requirements of NI 52-110, the charter of the Audit Committee allows for the engagement of certain non-audit services by the Company’s external auditor and sets out that such non-audit services must be pre-approved by the Audit Committee.

External Auditor Service Fees (By Category)

MNP is the present independent external auditor of the Company. Effective June 20, 2022, KPMG, who was first appointed as the independent external auditor of the Company on October 4, 2018, resigned as auditor of the Company, and was replaced by MNP at that time.

For the financial years ended March 31, 2023 and March 31, 2022, the aggregate fees incurred by the Company for services performed by the Company’s external auditor, KPMG (for the financial year ended March 31, 2022) and MNP (for the financial year ended March 31, 2023), are as detailed below:

Financial Year Ended	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
March 31, 2022	\$400,000	Nil	Nil	Nil
March 31, 2023	\$937,500	Nil	Nil	Nil

- (1) “**Audit fees**” include fees for services rendered by the external auditors in relation to the audit and review of the Company’s financial statements and in connection with the Company’s statutory and regulatory filings.
- (2) “**Audited related fees**” include the aggregate audit related fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not reported as “Audit fees”. Examples of services in this category include due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “**Tax fees**” include the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning. Examples of services in this category include tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to investments in portfolio companies, preparation of tax returns and preparation or review of tax provisions.

- (4) “All other fees” include the aggregate fees billed for products and services, other than “Audit fees”, “Audit related fees” and “Tax fees” above.

Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

INTERESTS OF EXPERTS

MNP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation and that they are independent accountants with respect to the Company under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, as applicable, will be contained in the Company’s management information circular to be filed in connection with its annual shareholders’ meeting for 2023. Additional financial information is provided in the consolidated financial statements and management’s discussion and analysis of the Company for the financial year ended March 31, 2023. Additional information relating to the Company may be found under the Company’s profile on SEDAR at www.sedar.com.

APPENDIX “A”

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. PURPOSE OF THIS CHARTER

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of RIV Capital Inc. (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities relating to financial accounting, reporting and internal controls for the Corporation. The Committee’s primary duties and responsibilities are to:

- a) conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- b) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- c) review the quarterly and annual financial statements and management’s discussion and analysis of the Corporation’s financial position and operating results and in the case of the annual financial statements and related management’s discussion and analysis, report thereon to the Board for approval of same;
- d) select and monitor the independence and performance of the Corporation’s external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- e) provide oversight of all disclosure relating to, and information derived from, financial statements and management’s discussion and analysis.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors, as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee’s duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part 4 of this Charter.

2. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- b) set and pay the compensation for advisors employed by the Committee; and
- c) communicate directly with the internal and external auditors of the Corporation.

3. COMPOSITION AND MEETINGS

The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission (“**OSC**”), any exchange upon which the securities of the Corporation are listed, the *Business Corporations Act* (Ontario) and all applicable securities regulatory authorities.

- a) The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. Unless a Chair is elected by the Board, the members of the Committee shall designate from amongst themselves by majority vote of the full Committee a member who shall serve as Chair. The position description and responsibilities of the Chair are set out in Schedule “A” attached hereto.
- b) All of the members of the Committee shall be “independent” and “financially literate”. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which, in the view of the Board, could be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of National Instrument 52-110 — *Audit Committees*, as set out in Schedule “B” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can be reasonably expected to be raised in the Corporation’s financial statements.
- c) Each member of the Committee shall serve at the pleasure of the Board. The Committee shall report to the Board.
- d) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present, either in person or by telephone, shall constitute a quorum.
- e) If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum is not present, the quorum for the adjourned meeting shall consist of the members then present (a “**Reduced Quorum**”).
- f) If, and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office or a Reduced Quorum is present in respect of a specific Committee meeting.
- g) The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other means of communication, by giving at least 48 hours’ notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
- h) Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for the purposes hereof, to be present in person at the meeting.
- i) The Committee shall keep minutes of its meetings. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
- j) Any director of the Corporation may attend meetings of the Committee, and the Committee may invite such officers and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.

- k) Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary.
- l) The Committee members will be appointed annually at the first meeting of the Board following the annual general meeting of shareholders.
- m) The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

4. RESPONSIBILITIES

a) Financial Accounting and Reporting Process and Internal Controls

- i. The Committee shall review the annual audited and interim financial statements and related management's discussion and analysis before the Corporation publicly discloses this information to satisfy itself that the financial statements are presented in accordance with applicable accounting principles and in the case of the annual audited financial statements and related management's discussion and analysis, report thereon and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall consider whether the Corporation's financial disclosures are complete, accurate, prepared in accordance with International Financial Reporting Standards and fairly present the financial position of the Corporation. The Committee shall also satisfy itself that, in the case of the annual financial statements, the audit function has been effectively carried out by the auditors and, in the case of the interim financial statements, that the review function has been effectively carried out.
- ii. The Committee shall review and assess the adequacy and effectiveness of the Corporation's systems of internal control and management information systems through discussion with management and the external auditor to ensure that the Corporation maintains appropriate systems, is able to assess the pertinent risks of the Corporation and that the risk of a material misstatement in the financial disclosures can be detected.
- iii. The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim financial press releases, and periodically assess the adequacy of these procedures in consultation with any disclosure committee of the Corporation.
- iv. The Committee shall review any press releases containing disclosure regarding financial information that are required to be reviewed by the Committee under any applicable laws or otherwise pursuant to the policies of the Corporation (including before the Corporation publicly discloses this information).
- v. The Committee shall meet no less than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a

Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.

- vi. The Committee shall inquire with management and the external auditors about significant financial and internal control risks or exposures and assess the steps management has taken to minimize such risks.
- vii. The Committee shall review the post-audit or management letter, if any, containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
- viii. The Committee shall periodically review and make recommendations regarding the Code of Business Conduct and Ethics adopted by the Board.
- ix. The Committee shall periodically review and make recommendations regarding the Whistleblower Policy and the Anti-Bribery and Anti-Corruption Policy adopted by the Board.
- x. The Committee shall follow procedures established as set out in the Corporation's Whistleblower Policy, for:
 - the receipt, retention, and treatment of complaints received by management of the Corporation regarding financial statement disclosures, accounting, internal accounting controls, or auditing matters; and
 - the submission by employees, consultants, contractors, directors or officers of the Corporation, on a confidential and anonymous basis, of concerns regarding financial statement disclosures, questionable accounting, internal accounting controls, auditing matters or violations to the Corporation's Code of Business Conduct and Ethics or any other policy, charter or mandate of the Corporation, applicable laws, rules and regulations, discrimination, harassment or retaliation.
- xi. The Committee shall ensure that management establishes and maintains an appropriate budget process, which shall include the preparation and delivery of periodic reports from the Chief Financial Officer to the Committee comparing actual spending to the budget. The budget shall include assumptions regarding economic parameters that are well supported and shall take into account the risks facing the Corporation.
- xii. The Committee shall have the authority to adopt such policies and procedures as it deems appropriate to operate effectively.

b) External Auditors

- i. The Committee shall recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.
- ii. The Committee shall ensure that procedures are in place to assess the audit activities of the external auditors and the internal audit functions.
- iii. The pre-approval of the Committee shall be required as further set out in Schedule "C" prior to the undertaking of any non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.

- iv. The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors and attempt to resolve disagreements between management and the external auditors regarding financial reporting.
- v. The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
- vi. The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
- vii. The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within International Financial Reporting Standards that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
- viii. The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
- ix. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
- x. The Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

c) Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

5. APPROVAL

Approved by the Board of Directors on June 2, 2020.

SCHEDULE “A”

RIV CAPITAL INC.

POSITION DESCRIPTION FOR THE CHAIR OF THE AUDIT COMMITTEE

1. PURPOSE

The Chair of the Committee shall be an independent director who is elected by the Board or designated by a majority vote of the Committee to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Corporation.

2. WHO MAY BE CHAIR

The Chair will be selected from amongst the directors of the Corporation who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chair will be selected annually at the first meeting of the Board following the annual general meeting of shareholders or designated by a majority vote of the Committee.

3. RESPONSIBILITIES

The following are the primary responsibilities of the Chair:

- a) chair all meetings of the Committee in a manner that promotes meaningful discussion;
- b) ensure adherence to the Committee’s Charter and that the adequacy of the Committee’s Charter is reviewed annually;
- c) provide leadership to the Committee to enhance the Committee’s effectiveness, including:
 - i. act as liaison and maintain communication with the Board to coordinate input from directors and to optimize the effectiveness of the Committee. This includes ensuring that Committee materials are available to any director upon request and reporting to the Board on all decisions of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;
 - ii. ensure that the Committee works as a cohesive team with open communication, as well as to ensure open lines of communication among the independent auditors, financial and senior management and the Board for financial and control matters;
 - iii. ensure that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - iv. ensure that the Committee serves as an independent and objective party to monitor the Corporation’s financial reporting process and internal control systems, as well as to monitor the relationship between the Corporation and the independent auditors to ensure independence;
 - v. ensure that procedures as determined by the Committee are in place to assess the audit activities of the independent auditors and the internal audit functions; and

- vi. ensure that procedures as determined by the Committee are in place to review the Corporation's public disclosure of financial information and assess the adequacy of such procedures periodically, in consultation with any disclosure committee of the Corporation;
- d) ensure that procedures as determined by the Committee are in place for dealing with complaints received by the Corporation regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns;
- e) manage the Committee, including:
 - i. adopt procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - ii. prepare the agenda of the Committee meetings and ensure pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - iii. ensure Committee meetings are appropriate in terms of frequency, length and content;
 - iv. obtain a report from the independent auditors on an annual basis, review the report with the Committee and arrange meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
 - v. oversee the Committee's participation in the Corporation's accounting and financial reporting process and the audits of its financial statements;
 - vi. ensure that the auditors report directly to the Committee, as representatives of the Corporation's shareholders;
 - vii. annually review with the Committee its own performance, report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;
 - viii. together with the Board, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;
 - ix. ensure Committee's work plan for the year is scheduled and monitor progress at each meeting; and
 - x. ensure Committee minutes are reviewed and approved;
- f) perform such other duties as may be delegated from time to time to the Chair of the Committee by the Board.

SCHEDULE “B”

RIV CAPITAL INC.

NATIONAL INSTRUMENT 52-110 AUDIT COMMITTEES (“NI 52-110”)

Section 1.4 — Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because

- (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 — Additional Independence Requirements for Audit Committee Members

- (1) Despite any determination made under section 1.4 of NI 52-110, an individual who
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,

is considered to have a material relationship with the issuer.

- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

SCHEDULE “C”

RIV CAPITAL INC.

PROCEDURES FOR APPROVAL OF NON-AUDIT SERVICES

1. The Corporation’s external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation’s accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board or International Accounting Standards Board or other analogous board which may govern the Corporation’s accounting standards, from time to time determines is impermissible.
2. In the event that the Corporation wishes to retain the services of the Corporation’s external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority, subject to confirmation that such services will not compromise the independence of the Corporation’s external auditors, to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.
3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.