



RIV CAPITAL

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(In United States Dollars)

RIV CAPITAL INC.

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RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US \$000's)	Notes	As at September 30, 2022	As at March 31, 2022	As at April 1, 2021
			Note 3(a), 26	Note 3(a), 26
Assets				
Current assets				
Cash and cash equivalents	6	\$ 165,420	\$ 318,706	\$ 101,695
Accounts receivable		3	-	-
Inventory	7	7,448	-	-
Biological assets	8	285	-	-
Income tax receivable		9,056	9,149	-
Other receivables	9	871	835	2,440
Prepaid expenses and deposits		689	1,500	621
Other current assets		20	-	-
		183,792	330,190	104,756
Right-of-use assets				
Property, plant, and equipment, net	10	12,604	201	320
Intangible assets, net	10	1,131	-	40
Associates	11	113,097	50	65
Other investments	12	2,577	5,263	5,858
Other long-term assets	13	24,326	29,173	148,906
Deferred tax asset		1,188	-	3,564
		482	1,334	3,182
		155,405	36,021	161,935
Total assets		\$ 339,197	\$ 366,211	\$ 266,691
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 4,529	\$ 3,814	\$ 2,340
Income tax payable		191	-	13,947
Deferred revenue		403	-	-
Lease liability - current	14	1,011	132	124
Financial guarantee liability		-	-	2,386
Deferred consideration payable	15	39,839	-	-
		45,973	3,946	18,797
Lease liability - non-current	14	12,021	80	210
Deferred tax liability	21	40,409	17,083	-
Convertible notes	16	90,476	80,388	-
		142,906	97,551	210
Total liabilities		188,879	101,497	19,007
Shareholders' equity				
Share capital	17	207,466	186,085	184,568
Contributed surplus		45,686	45,686	45,686
Reserves		83,201	69,021	13,571
Accumulated other comprehensive income		100,499	104,658	102,390
Deficit		(286,534)	(140,736)	(98,531)
		150,318	264,714	247,684
Total liabilities and shareholders' equity		\$ 339,197	\$ 366,211	\$ 266,691
Changes in accounting policy (Note 3(a))				
Commitments and contingencies (Note 18)				
Subsequent events (Note 27)				

The comparative periods have been restated to align with the Company's presentation currency of the United States dollar (Note 3(a), Note 26)

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

RIV CAPITAL INC.**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in US \$000's, except for per share amounts)	Notes	Three months ended		Six months ended	
		September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
			Note 3(a), 26		Note 3(a), 26
Revenue					
Revenue	19	\$ 1,977	\$ -	\$ 3,405	\$ -
Excise taxes		(124)	-	(211)	-
Total revenue, net		1,853	-	3,194	-
Cost of goods sold					
Cost of goods sold		906	-	1,689	-
Gross profit excluding fair value items		947	-	1,505	-
Unrealized loss on changes in fair value of biological assets	8	(64)	-	(100)	-
Realized fair value amounts included in inventory sold		6	-	6	-
Gross profit		889	-	1,411	-
Operating expenses					
Selling, general, and administrative expenses	20	4,840	4,035	10,369	6,064
Impairment of goodwill	11	138,937	-	138,937	-
Operating loss		(142,888)	(4,035)	(147,895)	(6,064)
Other income (loss)					
Royalty, interest, and lease income		112	322	219	779
Change in provision for credit losses	25	(56)	(1,642)	(109)	(145)
Share of loss from associates	12	(501)	(413)	(634)	(692)
Net change in fair value of financial assets at fair value through profit or loss	13	(1,381)	549	(1,547)	(28,649)
Gain on dispositions		-	-	-	890
Accretion and interest expense	14, 15, 16	(4,256)	(930)	(8,082)	(935)
Unrealized foreign exchange gain		4,430	1,816	10,747	1,816
Other income (expenses), net		95	280	6	488
Loss before taxes		(144,445)	(4,053)	(147,295)	(32,512)
Income tax recovery	21	(2,121)	(2,870)	(1,497)	(6,819)
Net loss		\$ (142,324)	\$ (1,183)	\$ (145,798)	\$ (25,693)
Other comprehensive income (loss) not subsequently reclassified to net income (loss)					
Net change in fair value of financial assets at fair value through other comprehensive income, net of tax expense (recovery) of \$145 and \$217 (2022 - \$52 and \$(8))	13	950	341	1,420	(62)
Other comprehensive income (loss) subsequently reclassified to net income (loss)					
Foreign currency translation adjustment		(560)	(6,950)	(5,579)	(3,361)
Total comprehensive loss		\$ (141,934)	\$ (7,792)	\$ (149,957)	\$ (29,116)
Loss per share - basic	22	\$ (0.84)	\$ (0.01)	\$ (0.88)	\$ (0.18)
Loss per share - diluted	22	\$ (0.84)	\$ (0.01)	\$ (0.88)	\$ (0.18)

The comparative period has been restated to align with the Company's presentation currency of the United States dollar (Note 3(a), Note 26)
The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US \$000's)	Notes	Six months ended	
		September 30, 2022	September 30, 2021 Note 3(a), 26
Cash flows used in operating activities			
Net loss		\$ (145,798)	\$ (25,693)
Adjustments for non-cash items:			
Unrealized loss on changes in fair value of biological assets	8	100	-
Realized fair value amounts included in inventory sold		(6)	-
Share-based compensation expense	17, 20	211	536
Depreciation and amortization	20	758	76
Impairment of goodwill	11	138,937	-
Lease income		-	(92)
Change in provision for credit losses	25	109	145
Share of loss from associates	12	634	692
Net change in fair value of financial assets at fair value through profit or loss	13	1,547	28,649
Gain on dispositions		-	(890)
Accretion and interest expense	14,15,16	8,082	935
Unrealized foreign exchange gain		(10,747)	(1,816)
Income tax expense (recovery)	21	(1,497)	(6,819)
Changes in working capital	23	754	(2,581)
Net cash used in operating activities before income taxes paid		(6,916)	(6,858)
Income taxes paid	21	(362)	(13,661)
Net cash used in operating activities		\$ (7,278)	\$ (20,519)
Cash flows provided by (used in) investing activities			
Investment in property, plant, and equipment	10	(861)	-
Investment in associates	12	-	(774)
Disposition of associates	12	1,696	-
Disposition of other financial assets	13	2,564	83,878
Payment of financial guarantee liability, net		-	(829)
Payments from other long-term assets		(1,188)	77
Disposition of other long-term assets		-	3,090
Cash portion of consideration paid in acquisitions, net of cash acquired	5	(170,307)	-
Net cash provided by (used in) investing activities		\$ (168,096)	\$ 85,442
Cash flows provided by financing activities			
Proceeds from issuance of convertible note, net of financing costs	16	24,888	145,047
Proceeds from exercise of stock options		-	35
Payment of lease principal		(894)	(67)
Net cash provided by financing activities		\$ 23,994	\$ 145,015
Net increase (decrease) in cash		\$ (151,380)	\$ 209,938
Effect of foreign exchange rate movements on cash held		(1,906)	5,635
Cash, beginning of period		318,706	101,695
Cash, end of period		\$ 165,420	\$ 317,268

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

RIV CAPITAL INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US \$000's, except for share amounts)	Number of Class A Common Shares	Share capital	Reserves			Contributed surplus	Deficit	Accumulated other comprehensive income	Shareholders' equity
			Share-based compensation	Convertible notes	Common Shares to be issued				
Balance at March 31, 2021	142,084,523	\$ 184,568	\$ 13,571	\$ -	\$ -	\$ 45,686	\$ (98,531)	\$ 102,390	\$ 247,684
Exercise of stock options	97,272	283	(246)	-	-	-	-	-	37
Redemption of performance share units	253,342	112	(112)	-	-	-	-	-	-
Share-based compensation (stock options)	-	-	220	-	-	-	-	-	220
Share-based compensation (restricted share units)	-	-	48	-	-	-	-	-	48
Share-based compensation (performance share units)	-	-	54	-	-	-	-	-	54
Net loss	-	-	-	-	-	-	(24,511)	-	(24,511)
Other comprehensive loss	-	-	-	-	-	-	-	(402)	(402)
Foreign currency translation adjustment	-	-	-	-	-	-	-	3,588	3,588
Balance at June 30, 2021	142,435,137	\$ 184,963	\$ 13,535	\$ -	\$ -	\$ 45,686	\$ (123,042)	\$ 105,576	\$ 226,718
Redemption of restricted share units	9,628	\$ 6	\$ (6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred tax asset recognition – share issuance costs	-	987	-	-	-	-	-	-	987
Share-based compensation (stock options)	-	-	116	-	-	-	-	-	116
Share-based compensation (restricted share units)	-	-	48	-	-	-	-	-	48
Share-based compensation (performance share units)	-	-	52	-	-	-	-	-	52
Equity component of convertible note, net of tax	-	-	-	54,784	-	-	-	-	54,784
Net loss	-	-	-	-	-	-	(1,183)	-	(1,183)
Other comprehensive income	-	-	-	-	-	-	-	341	341
Foreign currency translation adjustment	-	-	-	-	-	-	-	(6,950)	(6,950)
Balance at September 30, 2021	142,444,765	\$ 185,956	\$ 13,745	\$ 54,784	\$ -	\$ 45,686	\$ (124,225)	\$ 98,967	\$ 274,913
Balance at March 31, 2022	142,592,403	\$ 186,085	\$ 14,237	\$ 54,784	\$ -	\$ 45,686	\$ (140,736)	\$ 104,658	\$ 264,714
Issuance of Class A Common Shares pursuant to business combinations	21,092,335	21,345	-	-	-	-	-	-	21,345
Redemption of performance share units	118,939	84	(84)	-	-	-	-	-	-
Deferred tax liability recognition – share issuance costs	-	(44)	-	-	-	-	-	-	(44)
Share-based compensation (stock options)	-	-	82	-	-	-	-	-	82
Share-based compensation (restricted share units)	-	-	131	-	-	-	-	-	131
Share-based compensation (performance share units)	-	-	19	-	-	-	-	-	19
Equity component of convertible note, net of tax	-	-	-	8,749	-	-	-	-	8,749
Deferred share consideration pursuant to business combinations	-	-	-	-	5,337	-	-	-	5,337
Net loss	-	-	-	-	-	-	(3,474)	-	(3,474)
Other comprehensive income	-	-	-	-	-	-	-	470	470
Foreign currency translation adjustment	-	-	-	-	-	-	-	(5,019)	(5,019)
Balance at June 30, 2022	163,803,677	\$ 207,470	\$ 14,385	\$ 63,533	\$ 5,337	\$ 45,686	\$ (144,210)	\$ 100,109	\$ 292,310
Redemption of restricted share units	9,628	\$ 5	\$ (5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redemption of performance share units	41,321	28	(28)	-	-	-	-	-	-
Deferred tax liability recognition – share issuance costs	-	(37)	-	-	-	-	-	-	(37)
Share-based compensation (stock options)	-	-	(193)	-	-	-	-	-	(193)
Share-based compensation (restricted share units)	-	-	123	-	-	-	-	-	123
Share-based compensation (performance share units)	-	-	49	-	-	-	-	-	49
Net loss	-	-	-	-	-	-	(142,324)	-	(142,324)
Other comprehensive income	-	-	-	-	-	-	-	950	950
Foreign currency translation adjustment	-	-	-	-	-	-	-	(560)	(560)
Balance at September 30, 2022	163,854,626	\$ 207,466	\$ 14,331	\$ 63,533	\$ 5,337	\$ 45,686	\$ (286,534)	\$ 100,499	\$ 150,318

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

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

1. DESCRIPTION OF BUSINESS

RIV Capital Inc. (the "Company" or "RIV Capital") is the direct parent company of RIV Capital US Corporation and RIV Capital Corporation ("RCC"). RIV Capital is a publicly-traded corporation listed on the Canadian Securities Exchange under the trading symbol "RIV". RIV Capital is an investment and acquisition company specializing in cannabis. The Company aims to capitalize on the building momentum in the United States ("U.S.") cannabis market by acquiring, investing in, and developing operators and brands across financially and strategically attractive markets to create a multistate platform.

The Company was incorporated under the name "AIM2 Ventures Inc." by articles of incorporation pursuant to the Business Corporations Act (Ontario) (the "OBCA") on October 31, 2017. On September 17, 2018, the Company completed the acquisition of 100% of the issued and outstanding securities of Canopy Rivers Corporation ("CRC PrivateCo") in connection with a business combination involving the Company and CRC PrivateCo, and concurrently changed its name to "Canopy Rivers Inc."

Prior to the completion of the CGC Transaction (as defined herein), the Company was controlled by Canopy Growth Corporation ("CGC"). The Company operated as a venture capital firm specializing in cannabis, identifying strategic counterparties seeking financial and/or operation support, and aimed to provide investor returns through dividends, interest, lease, and royalty income, and capital appreciation. On February 23, 2021, the Company, RCC, CGC, and a wholly-owned subsidiary of CGC completed a plan of arrangement under the OBCA pursuant to which, among other things, the Company disposed of certain assets held by RCC in exchange for cash, common shares in the capital of CGC, and the cancellation of all shares in the capital of the Company held by CGC (collectively, the "CGC Transaction"), and concurrently changed its name to "RIV Capital Inc." Following the completion of the CGC Transaction, the Company has a single class of common shares (the "Common Shares").

On August 24, 2021, the Company closed the purchase by The Hawthorne Collective Inc. ("The Hawthorne Collective"), a newly-formed cannabis-focused subsidiary of The Scotts Miracle-Gro Company ("ScottsMiracle-Gro"), of a \$150,000 unsecured convertible promissory note ("Convertible Note I") issued by RIV Capital (the "Initial Hawthorne Investment"). The Initial Hawthorne Investment established RIV Capital as The Hawthorne Collective's preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro).

On March 30, 2022, the Company announced definitive agreements (the "Etain Purchase Agreements") to acquire (the "Etain Acquisition") ownership of Etain IP LLC ("Etain IP") and control for financial reporting purposes of Etain, LLC ("Etain LLC"), owner and operator of legally-licensed cannabis cultivation and retail dispensaries in the state of New York (together, the "Etain Companies" or "Etain"), payable through a combination of cash and newly issued Common Shares. The acquisition of the Etain business was the first step in the execution of the RIV Capital strategy, shifting from an investor in the cannabis value chain to a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. The initial closing of the Etain Acquisition occurred on April 22, 2022 (the "Initial Etain Closing"). In connection with the Etain Acquisition, The Hawthorne Collective advanced the Company \$25,000 at the time of the Initial Etain Closing pursuant to rights existing under the Initial Hawthorne Investment.

2. BASIS OF PRESENTATION**(a) Statement of compliance**

These unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed interim consolidated financial statements, including IAS 34, *Interim Financial Reporting* ("IAS 34").

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on November 28, 2022.

Unless otherwise noted, all financial figures are presented in thousands of dollars, except share and per share amounts, and references to "\$" are to U.S. dollars and references to "C\$" are to Canadian dollars.

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

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

(b) Basis of measurement

The Interim Financial Statements have been prepared on a historical cost basis, except for certain financial instruments and biological assets that are measured at fair value as detailed in the Company's accounting policies.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 5, 8, 13, 15, and 25 for fair value considerations.

(c) Basis of preparation

The Interim Financial Statements were prepared in accordance with IFRS as issued by the IASB following the same accounting policies and methods of computation as were followed in the preparation of the audited annual consolidated financial statements as at and for the year ended March 31, 2022 (the "Annual Financial Statements").

The notes presented in the Interim Financial Statements include, in general, only significant changes and transactions occurring since March 31, 2022. As such, certain disclosures included in the Interim Financial Statements have been condensed or omitted. Accordingly, the Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

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

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

(d) Basis of consolidation

The Interim Financial Statements represent accounts of the Company and its controlled subsidiaries. Non-controlling interests are included as a component of shareholders' equity. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

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

As at September 30, 2022, the Company controlled for financial reporting purposes and consolidated the following active entities. As at September 30, 2022, the Company did not control any of its other investees.

Name of company	Place of incorporation / operation	Ownership %	Functional currency
RIV Capital	Canada	n/a	Canadian dollar
RCC	Canada	100%	Canadian dollar
2683922 Ontario Inc.	Canada	100%	Canadian dollar
RIV Capital US Corporation	U.S.	100%	U.S. dollar
RIV Capital US Holdings LLC	U.S.	100%	U.S. dollar
RIV Capital US Real Estate LLC	U.S.	100%	U.S. dollar
RIV Capital US Services LLC	U.S.	100%	U.S. dollar
Etain IP	U.S.	100%	U.S. dollar
Etain LLC ⁽¹⁾	U.S.	0%	U.S. dollar

⁽¹⁾ The Company, through its subsidiaries, has entered into a number of agreements with Etain LLC that provide support services to Etain LLC and that prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the expected economic benefits that the Company expects to derive from the relationship with Etain LLC.

3. CHANGES IN ACCOUNTING POLICY

The significant accounting policies used in preparing the Interim Financial Statements are consistent with those disclosed in the Annual Financial Statements and have been applied across all periods presented in the Interim Financial Statements, except as noted below.

Significant accounting policies newly applicable to the Company for the three and six months ended September 30, 2022, are described below.

(a) Change in presentation currency

In light of the Etain Acquisition and the Initial Etain Closing, which occurred on April 22, 2022, the Company changed the presentation currency of its consolidated financial statements from the Canadian dollar to the U.S. dollar effective April 1, 2022.

The Company believes that U.S. dollar financial reporting provides more relevant presentation of the Company's financial position, funding and treasury functions, financial performance, and cash flows.

A change in presentation currency represents a change in accounting policy as defined in *IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*, which requires restatement of comparative information as if the accounting policy was always adopted.

In accordance with *IAS 21, The Effects of Changes in Foreign Exchange Rates*, the methodology followed in restating historical financial information from Canadian dollars to U.S. dollars for the Company's consolidated entities with a Canadian dollar functional currency was as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate of the period;
- Income and expenses for each quarterly statement of loss and comprehensive loss are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the respective transactions);
- Equity transactions are translated at historical exchange rates in effect on the date of the respective equity transaction; and
- All resulting change differences are recognized as a separate component of equity, the "Foreign currency translation adjustment", which is recorded within other comprehensive income (loss).

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in US\$000's except share amounts)

The average and closing rates used in translating the historical financial information from Canadian dollars to U.S. dollars for the comparative periods presented in these Interim Financial Statements are as follows:

- The average rate used for the three and six months ended September 30, 2022, was 0.75 and 0.77, respectively;
- The average rate used for the three and six months ended September 30, 2021, was 0.79 and 0.80, respectively;
- The closing rate used as at September 30, 2022, was 0.73;
- The closing rate used as at March 31, 2022, was 0.80; and
- The closing rate used as at April 1, 2021, was 0.80.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted, or additional assets or liabilities are recognized, during the measurement period to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that time. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded within comprehensive income (loss).

(c) Inventory

Inventory of purchased finished goods, packaging materials, supplies, and consumables is initially valued at cost and subsequently measured at the lower of cost and net realizable value. Inventory of harvested cannabis is transferred from biological assets at its fair value less costs to sell and complete at harvest, which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete, redundant, and slow-moving goods and any such inventory is written down to net realizable value.

(d) Biological assets

The Company measures biological assets, which consist of medical and adult-use cannabis plants, at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of internally-produced harvested cannabis and finished goods inventory after harvest. These costs are then recorded within cost of goods sold in the consolidated statements of loss and comprehensive loss in the period in which the related product is sold. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are recorded within comprehensive income (loss).

Production costs related to biological assets are capitalized. These costs include the direct costs of seeds and growing materials, as well as other indirect costs such as utilities and supplies used in the growing process. The cost of indirect labour for individuals involved in the growing and quality control processes is also capitalized, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. Unrealized fair value gains or losses on the growth of biological assets are reported in a separate line on the face of the consolidated statements of loss and comprehensive loss.

**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in US\$000's except share amounts)

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with *IAS 2, Inventories*. The cost of inventory includes the fair value less costs to sell of the cannabis at harvest and costs incurred after harvest (such as quality assurance costs, fulfillment costs, and packaging costs) to bring the products to their present location and condition.

(e) Property, plant, and equipment

Property and equipment are reported at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms:

Asset class	Depreciable life
Manufacturing equipment	2 to 10 years
Right-of-use assets	5 to 10 years
Vehicles	5 years

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

(f) Intangible assets
Finite life intangible assets

Intangible assets are reported at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortized on a systematic basis over their useful lives in a manner that reflects how the Company expects to derive value from use of the asset. Amortization is calculated over the estimated useful life of the asset (which does not exceed the contractual period, if any) using the following terms:

Asset class	Amortization method	Amortizable life
Brand	Straight-line	10 years
Cannabis license	Pattern of projected revenue	15 years
Computer software	Straight-line	5 years

The Company's definite life intangible assets are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they may be impaired. The estimated useful lives, residual values, and methods of amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or CGUs that are expected to benefit from the synergies of the business combination.

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amounts of the assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statements of loss and comprehensive loss in the period in which the impairment is identified. Impairment losses that have been recognized in respect of goodwill are not subsequently reversed.

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(g) Revenue

Revenue is recognized by the Company in accordance with *IFRS 15, Revenue from Contracts with Customers* ("IFRS 15"). Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

To recognize revenue under IFRS 15, the Company applies the following five steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer at either its medical dispensaries or delivery to a wholesale customer. Revenue is presented net of discounts, sales tax (if applicable), and other related taxes. The majority of the Company's revenue is currently derived from sales at medical cannabis dispensaries in the state of New York.

Local authorities will often impose excise tax on the sale or production of cannabis products. Excise taxes are effectively a production tax that is payable on the gross receipts of medical cannabis sold by a registered organization ("RO") to a certified patient or designated caregiver. The excise tax is borne by the Company and is not a tax on the patient. Excise taxes are included in revenue. The subtotal "total revenue, net" on the consolidated statements of loss and comprehensive loss represents the Company's revenue as defined by IFRS, less the excise taxes.

The Company offers customer loyalty programs through which medical cannabis customers accumulate points for each dollar of spending. These points are recorded as deferred revenue until customers redeem their points for discounts on cannabis products as part of an in-store sales transaction.

(h) Income taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in comprehensive income (loss) in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Certain of the Company's U.S. consolidated subsidiaries are subject to Section 280E of the U.S. Internal Revenue Code of 1986 ("IRC Section 280E"), which disallows tax deductions and credits from gross income attributable to a trade or business of trafficking in U.S. controlled substances (labeled as Schedule I or Schedule II). Under current U.S. federal law, cannabis is a Schedule I controlled substance, and therefore the provisions of IRC Section 280E apply. Accordingly, the Company's effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

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(i) Segment reporting

Operating segment

An operating segment is a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engaged in business activities from which it may earn revenue and incur expenses.

The Company's chief operating decision maker is represented by key management personnel. For management purposes, during the three and six months ended September 30, 2022, the Company was organized into the following two main operating segments:

- **U.S. Cannabis Platform** – focused on the cultivation, manufacturing, distribution, and sale of medical cannabis in the U.S., and services related thereto, including the Company's corporate activities; and
- **Minority Portfolio** – focused on the maintenance of the Company's legacy portfolio of minority investments in the cannabis space in which it had historically invested to provide investor returns through dividends, interest, rent, royalties, and capital appreciation.

As permitted under *IFRS 8, Operating Segments*, the Company does not separately disclose operating segments that do not meet certain quantitative thresholds. As such, the Company's one reportable segment is the U.S. cannabis platform.

Geography

The Company operates in the U.S. and Canada. As at September 30, 2022, the Company had the following non-current assets by geography:

	U.S.	Canada
Non-current assets ⁽¹⁾	\$ 127,853	\$ 167

(1) The Company's non-current assets disclosed in the table above exclude associates, other investments, and deferred tax assets.

The Company's reported revenue, net of excise tax, of \$1,853 and \$3,194 for the three and six months ended September 30, 2022, respectively, was entirely attributable to the U.S.

(j) Non-controlling interest

Non-controlling interest ("NCI") represents the portion of equity ownership in subsidiaries not attributable to the Company's shareholders. NCI is initially measured at either the fair value or proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition. The initial measurement is an election made on a transaction-by-transaction basis. NCI is subsequently adjusted for the share of net income (loss) and other comprehensive income (loss) attributable to the NCI based on contractual terms of the related agreements.

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 future economic benefits that the Company expects to derive from its relationship with Etain LLC. Taken together, these agreements effectively devalue any future economic benefits that Etain LLC's members would have otherwise derived from their ownership interest in Etain LLC. Accordingly, the Company does not ascribe any value to the equity interest of Etain LLC that it does not directly own, and there is no non-controlling interest accounted for on the Company's consolidated statements of loss and comprehensive loss or on its consolidated statements of financial position.

(k) New accounting pronouncements

The following new interpretations and amendments have been issued and are applicable for future annual reporting periods. The list includes standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective and does not expect the standards to have a material impact on the Interim Financial Statements.

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Amendments to IAS 12, Deferred Taxes

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of certain recognition exceptions so that they no longer apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at that date. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 8, Accounting Estimates

On February 12, 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)', which introduces a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for annual periods beginning on or after January 1, 2023.

Certain other new accounting standards, amendments, and interpretations have been published that are not mandatory for the current period and have not been early adopted by the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In addition to the significant accounting estimates and judgements outlined in the Annual Financial Statements, the Company has applied the following newly applicable estimates and judgements in the Interim Financial Statements.

Control

The Company consolidates entities over which it exercises control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The assessment of control is based on the consideration of all facts and circumstances on a collective basis. Judgement is required in determining whether the Company has control over an entity. When voting rights are not relevant in determining whether the Company has power over an entity, the assessment of control considers the Company's relationship with the entity, its ability to make decisions over significant activities, and whether the Company acts as principal or agent. The Company has determined it exercises control over Etain LLC, as defined in *IFRS 10, Consolidation*, as of the acquisition date. Please to Note 5 for additional details.

Business Combinations

In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total future net cash flows expected to be derived from the asset. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

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Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period may last up to one year from the acquisition date. In estimating the fair value of a financial asset or a liability, the Company uses market-observable data to the extent it is available. Where such "Level 1" inputs are not available, the Company uses various valuation models to determine the fair value of its financial instruments that maximize the use of observable inputs and minimize the use of unobservable inputs.

Impairment of Goodwill and Intangible Assets

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.

Estimates of fair value less costs to sell are based on the best information available to reflect the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal. Fair value less costs to sell calculations may encompass an income approach, market approach, or cost approach, as prescribed in *IFRS 13, Fair value*.

Value-in-use calculations employ key assumptions regarding future cash flows, growth prospects, economic risks, and estimates of the Company's ability to achieve key operating metrics, among other items. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested.

The recoverable amount is sensitive to several items, including the discount rate applied in the discounted cash flow model (if applicable) and expectations regarding growth rates and future cash flows. The estimated fair value less costs to sell may also be based upon an assessment of comparable company multiples and precedent transaction multiples.

Biological Assets

Management is required to make significant estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions, such as estimating the stages of growth of the cannabis plant up to the point of harvest, expected yields, harvesting costs, selling costs, and average expected selling prices.

Inventory

The net realizable value of inventory represents the estimated selling price for inventory in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as shrinkage, the aging of and future demand for inventory, the expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts, and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Estimated Useful Lives and Depreciation and Amortization of Property, Plant, and Equipment and Intangible Assets

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

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IRC 280E

Goodwill and intangible assets that arise from business combinations may be subject to the limits of IRC Section 280E if they exist in an entity that deals in trade or business of trafficking in U.S. controlled substances (labeled as Schedule I or Schedule II). The assessment of tax basis on goodwill and intangible assets requires significant judgement and a view of facts and circumstances on an aggregate basis. The Company has prepared the Interim Financial Statements on the basis that the tax attributes related to the goodwill and intangible assets acquired in the Etain Acquisition will be subject to IRC Section 280E.

5. BUSINESS COMBINATION**Etain Companies**

On April 22, 2022, the Company completed the Initial Etain Closing, as described in Note 1, whereby the Company acquired 100% of the membership interests of Etain IP and obtained financial control of Etain LLC, owner and operator of legally licensed cannabis cultivation and retail dispensaries in the state of New York. The Company obtained 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 future economic benefits that the Company expects to derive from its relationship with Etain LLC. Taken together, these agreements effectively devalue any future economic benefits that Etain LLC's members would have otherwise derived from their ownership interest in Etain LLC.

Upon the Initial Etain Closing, the Company paid cash consideration of \$169,775 (subject to customary closing adjustments) and issued 21,092,335 Common Shares, together representing approximately 80% of the total consideration payable pursuant to the Etain Acquisition. The remainder of the consideration is expected to be due shortly after the receipt of all required regulatory approvals, including from the New York Cannabis Control Board (the "Cannabis Control Board") and the New York State Office of Cannabis Management (the "OCM") (the "Second Etain Closing"), at which point the Company will pay an additional \$42,444 in cash (subject to customary closing adjustments) and issue an additional 5,273,084 Common Shares.

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The provisional fair values of the identifiable assets acquired and liabilities assumed as at the acquisition of control date of April 22, 2022, are as follows:

	Etain
IDENTIFIABLE ASSETS ACQUIRED	
Cash and cash equivalents	\$ 339
Accounts receivable and other receivables	111
Inventory	6,524
Biological assets	236
Other current assets	81
Property, plant, and equipment	315
Intangible assets	113,769
Right-of-use assets	13,158
Deferred tax assets	186
Total assets acquired at fair value	\$ 134,719
LIABILITIES ASSUMED	
Accounts payable and accrued liabilities	\$ 1,040
Loyalty program liabilities	370
Lease liabilities	13,158
Deferred tax liabilities	23,864
Total liabilities acquired at fair value	\$ 38,432
Goodwill	138,937
Total purchase price	\$ 235,224

The goodwill recognized on acquisition is primarily attributable to the expected future growth potential of the Etain business following the anticipated implementation of adult-use cannabis regulations in New York and the Company's expectations regarding broader regulatory reform in the U.S. Please refer to Note 4 for additional information on the Company's judgement regarding the deductibility of the amortization of goodwill for tax purposes.

The total fair value of consideration payable pursuant to the Etain Acquisition as at the acquisition of control date was as follows:

	Total
Cash consideration	\$ 169,775
Common Share consideration	21,345
Initial Etain Closing adjustments ⁽¹⁾	871
Deferred consideration	
Cash	37,896
Common Shares	5,337
Total fair value of consideration	\$ 235,224

⁽¹⁾ Initial Etain Closing adjustments related primarily to net working capital adjustments.

The total consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed as at the date of the acquisition and remains provisional as of September 30, 2022. These estimated fair values involve significant judgement and assumptions, as discussed in Note 4. Specifically, the estimated fair values of certain intangible assets acquired are based upon management's projections of cash flows expected to be derived from the use of these assets. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the integrated cannabis license, brand, deferred tax assets and liabilities, inventory, biological assets, and residual goodwill.

During the three months ended September 30, 2022, the Company recognized measurement period adjustments to the provisional purchase price allocation reported as at June 30, 2022. These measurement

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period adjustments resulted in a refinement to the bifurcation of total intangible value between identifiable intangible assets and goodwill (being \$113,769 and \$138,937, respectively, as at September 30, 2022) and the recognition of deferred tax liabilities in the amount of \$23,864. The Company expects to continue to obtain information to assist in determining the fair values and tax attributes of the net assets acquired as at the acquisition date during the remainder of the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could be affected.

The Company's revenue for the three and six months ended September 30, 2022, included net revenue of \$1,853 and \$3,194, respectively, attributable to Etain, and the Company's net loss for the three and six months ended September 30, 2022, included a net loss of \$(1,104) and \$(593), respectively, attributable to Etain. The revenue and net loss of the Company for the three and six months ended September 30, 2022, would not have been materially different had the Etain Acquisition been effected April 1, 2022, instead of April 22, 2022, and the actual results disclosed above are considered to be an approximate measure of the performance of the combined group for the three and six months ended September 30, 2022.

6. CASH AND CASH EQUIVALENTS

As at September 30, 2022, the Company's cash balance included cash deposits of \$nil that carried certain restrictions pursuant to the Hawthorne Investments (as defined in Note 16) (March 31, 2022 – \$143,120). Please refer to Note 16 for further details on the use of proceeds from the Hawthorne Investments.

As at September 30, 2022, the Company held \$89,886 in interest-earning term deposits with a maturity of less than 90 days (March 31, 2022 – \$nil).

During the three and six months ended September 30, 2022, the Company recognized an unrealized gain on foreign-denominated cash deposits of \$3,827 and \$10,763, respectively (three and six months ended September 30, 2021 – \$1,816).

7. INVENTORY

Inventory consists of work-in-progress cannabis products (including wet and dried cannabis, trim, intermediate oils, and oil solutions) and finished goods. The carrying value of inventory as at September 30, 2022, is summarized below. The Company did not have inventory for any reporting periods ended on or prior to March 31, 2022.

	As at Sep. 30, 2022
Work-in-progress	
Wet and dried cannabis and trim	\$ 2,235
Intermediate oils and oil solutions	1,946
Finished goods	2,870
Total cultivation and production inventory	\$ 7,051
Packaging and miscellaneous	397
Total inventory	\$ 7,448

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8. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants. The table below presents a summary continuity schedule for the Company's carrying value of biological assets. The Company did not have biological assets for any reporting periods ended on or prior to March 31, 2022.

	Biological assets
Balance as at April 1, 2022	\$ -
Acquired in business combination (Note 5)	236
Cost incurred prior to harvest to facilitate biological transformation (i.e. capitalized production costs)	1,271
Unrealized loss on fair value of biological assets	(100)
Transferred to inventory upon harvest	(1,122)
Balance as at September 30, 2022	\$ 285

The Company reports its biological assets at the end of each reporting period based upon the estimated fair value less costs to sell. This estimate is determined using a valuation model that considers a number of factors and assumptions, including, but not limited to, the estimated stages of growth of the cannabis plant up to the point of harvest, expected yields, harvesting costs, selling costs, and average expected selling prices.

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

	As at Sep. 30, 2022
Harvest yield of whole flower	80 grams / plant
Harvest yield of trim	10 grams / plant
Selling price of whole flower	\$5.50 / gram
Selling price of trim	\$2.50 / gram

The Company has quantified the sensitivity of the following valuation inputs to estimate the potential impact of changes on the consolidated statements of financial position:

Assumption	Change	Impact
Harvested yield	- 5.0% / + 5.0%	\$ (13) / \$ 13
Selling price	- 5.0% / + 5.0%	\$ (21) / \$ 21

9. OTHER RECEIVABLES

Other receivables are comprised of the following⁽¹⁾:

	As at Sep. 30, 2022	As at Mar. 31, 2022	As at Apr. 1, 2021
Interest receivable on FVTPL financial assets	\$ 110	\$ 88	\$ 137
Royalty receivable on FVTPL financial assets	630	598	1,936
Other	131	149	367
Total other receivables	\$ 871	\$ 835	\$ 2,440

⁽¹⁾ Interest and royalty receivables presented net of provisions for expected credit losses.

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10. PROPERTY, PLANT, AND EQUIPMENT

The table below presents a summary continuity schedule for the Company's property and equipment. The Company did not have any material property and equipment for any reporting periods ended on or prior to March 31, 2022.

	Manufacturing equipment	Right-of-use assets	Vehicles	Total
COST				
As at March 31, 2022	\$ -	\$ 563	\$ -	\$ 563
Acquired in business combinations (Note 5)	261	13,158	54	13,473
Additions	860	-	1	861
Effects of foreign exchange ("FX")	-	(49)	-	(49)
As at September 30, 2022	\$ 1,121	\$ 13,672	\$ 55	\$ 14,848
ACCUMULATED DEPRECIATION				
As at March 31, 2022	\$ -	\$ 362	\$ -	\$ 362
Depreciation	24	739	21	784
Effects of FX	-	(33)	-	(33)
As at September 30, 2022	\$ 24	\$ 1,068	\$ 21	\$ 1,113
NET BOOK VALUE				
As at September 30, 2022	\$ 1,097	\$ 12,604	\$ 34	\$ 13,735

During the three and six months ended September 30, 2022, the Company capitalized depreciation of \$279 and \$490, respectively, into inventory.

11. INTANGIBLE ASSETS AND GOODWILL

The tables below present summary continuity schedules for the Company's intangible assets and goodwill. The Company had nominal intangible assets and no goodwill for any reporting periods ended on or prior to March 31, 2022.

	Cannabis licenses	Brands	Other	Total intangible assets
COST				
As at March 31, 2022	\$ -	\$ -	\$ 76	\$ 76
Acquired in business combinations (Note 5)	105,735	7,900	134	113,769
Additions	-	-	-	-
Effects of FX	-	-	(8)	(8)
As at September 30, 2022	\$ 105,735	\$ 7,900	\$ 202	\$ 113,837
ACCUMULATED AMORTIZATION				
As at March 31, 2022	\$ -	\$ -	\$ 26	\$ 26
Amortization	317	346	53	716
Effects of FX	-	-	(2)	(2)
As at September 30, 2022	\$ 317	\$ 346	\$ 77	\$ 740
NET BOOK VALUE				
As at September 30, 2022	\$ 105,418	\$ 7,554	\$ 125	\$ 113,097

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	Goodwill
As at March 31, 2022	\$ -
Acquired in business combinations (Note 5)	138,937
Impairment of goodwill	(138,937)
As at September 30, 2022	\$ -

The carrying value of goodwill and substantially all the carrying value of the Company's definite-life intangible assets are allocated to the CGU group represented by the Etain Companies (the "Etain CGU").

As described in Note 3, goodwill is tested for impairment annually and when indicators are present that suggest the carrying amount may not be recoverable. During the three months ended September 30, 2022, the Company determined that certain indicators of impairment were present for its Etain CGU. Such indicators included, but were not limited to, valuations implied by market transactions involving comparable businesses and developments related to the regulatory framework for the impending adult-use cannabis market in New York.

CGUs are tested for impairment by comparing the carrying value of the CGU (or group of CGUs) to the recoverable amount. The recoverable amount is the greater of: 1) fair value less costs to sell; and 2) value in use. Key assumptions used in calculating the recoverable amount include projections of future cash flows, growth rates, and changes in operating margins, as well as discount rates.

The Company estimated the recoverable amount of the Etain CGU based upon its fair value less costs to sell. The fair value measurement was categorized as a Level 3 fair value based upon the inputs used in the valuation technique that was applied. The fair value of the Etain CGU was estimated using an income approach to value, specifically, a discounted cash flow method, which discounts the net cash flows projected to be derived from the CGU based on business plans reviewed by management. The projections reflect management's expectations of future revenue, operating margins, working capital needs, and capital expenditures as at the impairment testing date. These cash flow projections reflect laws and tax regimes that are enacted or substantially enacted as at the impairment testing date. Discount rates, derived from the weighted average cost of capital for the CGU, are applied to the cash flow projections and are intended to reflect the risk inherent in achieving such projections.

As at September 30, 2022, the Company estimated the fair value less costs to sell of the Etain CGU using cash flow projections for the fiscal years ending March 31, 2023 to 2027, a terminal growth rate of 3.0%, and an after-tax discount rate of approximately 23.0%, among other key inputs and assumptions. The Company compared the recoverable amount of \$91,816 derived from this analysis to the carrying value of the Etain CGU. Based on the foregoing, during the three months ended September 30, 2022, the Company recognized an impairment expense of \$138,937 in respect of the Etain CGU, reducing the carrying value of the goodwill acquired through the Etain Acquisition to \$nil. The entire impairment expense was allocated to goodwill.

The Company has quantified the sensitivity of the following valuation input to estimate the potential impact on the recoverable amount of the Etain CGU on the consolidated statements of financial position:

Assumption	Change	Impact
After-tax discount rate	+ 1.0% / - 1.0%	\$(9,630) / \$10,780

As described in Note 3, the purchase price allocation related to the Etain Acquisition remained provisional as at September 30, 2022. Accordingly, the impairment charge recognized in respect of the Etain CGU is also provisional. Please refer to Note 27 for further information on the Company's impairment testing of the Etain CGU.

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12. ASSOCIATES

Associates are entities over which the Company exercises significant influence. The Company assesses each instrument underlying its investments in associates for appropriate accounting treatment, and only certain investments in associates are accounted for using the equity method. The following tables present changes in the Company's equity method investees.

Three months ended September 30, 2022

Entity ⁽¹⁾	Balance at Jul. 1, 2022	Additions	Share of loss	Proceeds of disposition	Gain on disposition	Impairment	Effects of FX	Balance at Sep. 30, 2022
LeafLink Intl.	\$ 1,577	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (90)	\$ 1,487
NOYA	1,687	-	(501)	-	-	-	(96)	1,090
Total	\$ 3,264	\$ -	\$ (501)	\$ -	\$ -	\$ -	\$ (186)	\$ 2,577

⁽¹⁾ As at September 30, 2022, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was \$nil at both the beginning and the end of the reporting period.

Three months ended September 30, 2021

Entity ⁽¹⁾	Balance at Jul. 1, 2021	Additions	Share of loss	Proceeds of disposition	Gain on disposition	Impairment	Effects of FX	Balance at Sep. 30, 2021
Greenhouse Juice	\$ 1,574	\$ 774	\$ (222)	\$ -	\$ -	\$ -	\$ (31)	\$ 2,095
LeafLink Intl.	1,809	-	(34)	-	-	-	(48)	1,727
NOYA	2,280	-	(157)	-	-	-	(62)	2,061
Total	\$ 5,663	\$ 774	\$ (413)	\$ -	\$ -	\$ -	\$ (141)	\$ 5,883

⁽¹⁾ As at September 30, 2021, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was \$nil at both the beginning and the end of the reporting period.

Six months ended September 30, 2022

Entity ⁽¹⁾	Balance at Apr. 1, 2022	Additions	Share of loss	Proceeds of disposition	Gain on disposition	Impairment	Effects of FX	Balance at Sep. 30, 2022
Greenhouse Juice	\$ 1,752	\$ -	\$ -	\$ (1,696)	\$ -	\$ -	\$ (56)	\$ -
LeafLink Intl.	1,680	-	(49)	-	-	-	(144)	1,487
NOYA	1,831	-	(585)	-	-	-	(156)	1,090
Total	\$ 5,263	\$ -	\$ (634)	\$ (1,696)	\$ -	\$ -	\$ (356)	\$ 2,577

⁽¹⁾ As at September 30, 2022, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was \$nil at both the beginning and the end of the reporting period.

Six months ended September 30, 2021

Entity ⁽¹⁾	Balance at Apr. 1, 2021	Additions	Share of loss	Proceeds of disposition	Gain on disposition	Impairment	Effects of FX	Balance at Sep. 30, 2021
Greenhouse Juice	\$ 1,701	\$ 774	\$ (373)	\$ -	\$ -	\$ -	\$ (7)	\$ 2,095
LeafLink Intl.	1,823	-	(74)	-	-	-	(22)	1,727
NOYA	2,334	-	(245)	-	-	-	(28)	2,061
Total	\$ 5,858	\$ 774	\$ (692)	\$ -	\$ -	\$ -	\$ (57)	\$ 5,883

⁽¹⁾ As at September 30, 2021, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was \$nil at both the beginning and the end of the reporting period.

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Impairment of Associates

The Company assessed its investments in associates for indicators of impairment as at September 30, 2022, and, where indicators were present, conducted additional analysis to determine whether the carrying values of the relevant equity instruments were greater than the corresponding recoverable amounts. The Company considered external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

As at September 30, 2022, the Company determined that there were indicators of impairment present for its equity investment in LeafLink Intl.

LeafLink Intl.

The Company first applied the equity method to determine the carrying value of its investment in LeafLink Intl. common shares, and then performed impairment testing in accordance with *IAS 36, Impairment of Assets*. The recoverable amount of its investment in LeafLink Intl. common shares was determined by estimating fair value less costs to sell (based upon a market-based approach to value using Level 3 inputs). Specifically, the Company considered the equity value implied for LeafLink Inc., LeafLink Intl.'s parent company, by reference to LeafLink Inc.'s most recent external financing completed in 2021, and made adjustments to this value in consideration of the relevant differences between the companies and the markets in which they operate.

As a result of this impairment test, the Company concluded that the recoverable amount of its equity investment in LeafLink Intl. was higher than the corresponding carrying value and determined that no impairment charge was required for the three and six months ended September 30, 2022.

Significant Developments for the Six Months Ended September 30, 2022*Greenhouse Juice*

As at March 31, 2022, the Company held 3,830,412 preferred shares of Greenhouse Juice, which were accounted for under the equity method, and held a secured convertible debenture and control warrant, which were accounted for at FVTPL (as defined in Note 13). 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 (C\$5,500), which was allocated among the respective underlying instruments in accordance with the sale agreement. The proceeds from disposition were consistent with the carrying values of the assets as at June 30, 2022; accordingly, no gain or loss or mark-to-market adjustments were recognized upon disposition.

High Beauty

As at March 31, 2022, the Company held 2,500,000 preferred shares of High Beauty, which were accounted for under the equity method, and held a senior secured convertible promissory note and warrants, which were accounted for at FVTPL. On July 21, 2022, High Beauty completed the initial closing of a financing round that triggered automatic conversion mechanisms pursuant to the senior secured convertible promissory note agreement between High Beauty and the Company (which had been amended during the three months ended June 30, 2022, to extend the maturity date). Accordingly, the principal amount of \$750 that the Company had advanced to High Beauty pursuant to that agreement and accrued interest converted into an additional 1,000,017 preferred shares of High Beauty.

The preferred shares of High Beauty held by the Company prior to this conversion had a nominal value, and the Company determined that the additional preferred shares to be received pursuant to this automatic conversion of the promissory note would also have nominal value. Accordingly, prior to the automatic conversion of the promissory note, the Company recognized a decrease in the fair value of the promissory note to reduce the carrying value of the promissory note to \$nil, and upon conversion and derecognition of the promissory note, the Company ascribed no value to the additional preferred shares received.

LeafLink Intl.

During the three months ended June 30, 2022, LeafLink Intl. decided to temporarily suspend operations in Canada in light of ongoing limitations on the company's growth prospects driven primarily by certain regulatory restrictions, until such time that the Canadian regulatory framework evolves to allow more direct transactions between producers and retailers, or there are further developments in international cannabis markets.

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13. OTHER INVESTMENTS

The Company owns various financial assets in certain cannabis and cannabis-ancillary businesses that were primarily invested in by Canopy Rivers Inc. prior to the completion of the CGC Transaction described in Note 1. Additional details regarding these investments are available in the Company's public filings.

The Company applies *IFRS 9, Financial Instruments* ("IFRS 9") in accounting for its financial instruments. In accordance with IFRS 9, the Company has elected to measure certain investments in equity instruments at fair value through other comprehensive income ("FVTOCI") upon initial recognition as these investments were determined to be long-term and strategic in nature, and net changes in fair value were more suited to be presented in other comprehensive income. Financial assets for which the Company has not elected to measure at FVTOCI and that are not required to be measured at amortized cost are measured at fair value through profit or loss ("FVTPL"). Please refer to Note 25 for additional details on valuation methodologies and key inputs and assumptions for these financial assets.

The following tables present changes in the Company's other investments, including financial assets measured at FVTPL and financial assets measured at FVTOCI:

Three months ended September 30, 2022						
Instruments	Classifi- cation	Balance at Jul. 1, 2022	Net change in fair value	Conver- sions / disposi- tions	Effects of FX	Balance at Sep. 30, 2022
Equities	FVTPL	\$ 302	\$ 120	\$ -	\$ (17)	\$ 405
Convertible debentures	FVTPL	1,619	(968)	-	(38)	613
Royalty instruments	FVTPL	4,259	(511)	-	(243)	3,505
Warrants	FVTPL	108	(22)	-	(6)	80
Total FVTPL		\$ 6,288	\$ (1,381)	\$ -	\$ (304)	\$ 4,603
Equities	FVTOCI	\$ 19,757	\$ 1,095	\$ -	\$ (1,129)	\$ 19,723
Total FVTOCI		\$ 19,757	\$ 1,095	\$ -	\$ (1,129)	\$ 19,723
Three months ended September 30, 2021						
Instruments	Classifi- cation	Balance at Jul. 1, 2021	Net change in fair value	Conver- sions / disposi- tions	Effects of FX	Balance at Sep. 30, 2021
Equities	FVTPL	\$ 1,614	\$ (574)	\$ (27)	\$ (45)	\$ 968
Convertible debentures	FVTPL	7,407	205	-	(203)	7,409
Royalty instruments	FVTPL	7,262	942	-	(198)	8,006
Warrants	FVTPL	685	(24)	-	(18)	643
Other	FVTPL	5,220	-	(5,007)	(213)	-
Total FVTPL		\$ 22,188	\$ 549	\$ (5,034)	\$ (677)	\$ 17,026
Equities	FVTOCI	\$ 17,106	\$ 394	\$ -	\$ (469)	\$ 17,031
Total FVTOCI		\$ 17,106	\$ 394	\$ -	\$ (469)	\$ 17,031

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Six months ended September 30, 2022						
Instruments	Classifi- cation	Balance at Apr. 1, 2022	Net change in fair value	Conver- sions / disposi- tions	Effects of FX	Balance at Sep. 30, 2022
Equities	FVTPL	\$ 411	\$ 24	\$ -	\$ (30)	\$ 405
Convertible debentures	FVTPL	3,793	(457)	(2,564)	(159)	613
Royalty instruments	FVTPL	4,962	(1,053)	-	(404)	3,505
Warrants	FVTPL	152	(61)	-	(11)	80
Total FVTPL		\$ 9,318	\$ (1,547)	\$ (2,564)	\$ (604)	\$ 4,603
Equities	FVTOCI	\$ 19,855	\$ 1,637	\$ -	\$ (1,769)	\$ 19,723
Total FVTOCI		\$ 19,855	\$ 1,637	\$ -	\$ (1,769)	\$ 19,723

Six months ended September 30, 2021							
Instruments	Classifi- cation	Balance at Apr. 1, 2021	Additions	Net change in fair value	Conver- sions / disposi- tions	Effects of FX	Balance at Sep. 30, 2021
Equities	FVTPL	\$ 114,433	\$ 1,549	\$ (30,499)	\$ (82,752)	\$ (1,763)	\$ 968
Convertible debentures	FVTPL	7,284	-	221	-	(96)	7,409
Royalty instruments	FVTPL	7,237	-	862	-	(93)	8,006
Warrants	FVTPL	692	-	(40)	-	(9)	643
Other	FVTPL	795	5,836	807	(6,556)	(882)	-
Total FVTPL		\$ 130,441	\$ 7,385	\$ (28,649)	\$ (89,308)	\$ (2,843)	\$ 17,026
Equities	FVTOCI	\$ 18,465	\$ -	\$ (1,126)	\$ (69)	\$ (239)	\$ 17,031
Total FVTOCI		\$ 18,465	\$ -	\$ (1,126)	\$ (69)	\$ (239)	\$ 17,031

Significant Developments for the Six Months Ended September 30, 2022
Greenhouse Juice

As discussed in Note 12 above, on June 20, 2022, the Company disposed of all financial instruments it held in Greenhouse Juice in exchange for cash consideration of \$4,260 (C\$5,500), which was allocated among the respective underlying instruments in accordance with the sale agreement. No gain or loss or mark-to-market adjustment was recognized upon disposition.

High Beauty

As discussed in Note 12 above, on July 21, 2022, High Beauty completed the initial closing of a financing round that triggered automatic conversion mechanisms pursuant to the senior secured convertible promissory note agreement between High Beauty and the Company. The convertible promissory note represented a financial asset that was initially measured at fair value and subsequently measured at FVTPL. As the Company had determined that the preferred shares to be received in connection with the automatic conversion would have a nominal value, during the three months ended September 30, 2022, the Company recognized a decrease in the fair value of the convertible promissory note to reduce the carrying value of the promissory note to \$nil prior to derecognition.

14. LEASE LIABILITY

The Company's lease liability as at September 30, 2022, related to the following leased properties:

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- Cultivation facility in Chestertown, New York;
- Four retail dispensaries in New York; and
- Corporate head office in Toronto, Ontario.

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

	Six months ended Sep. 30, 2022	Twelve months ended Mar. 31, 2022	Twelve months ended Apr. 1, 2021
Lease liability, opening balance	\$ 212	\$ 334	\$ 399
Acquired in business combinations (Note 5)	13,158	-	-
Lease payments	(894)	(135)	(135)
Interest expense on lease liability	575	15	21
Effects of FX	(19)	(2)	49
Lease liability, ending balance	\$ 13,032	\$ 212	\$ 334
Lease liability, current portion	\$ 1,011	\$ 132	\$ 124
Lease liability, non-current portion	12,021	80	210

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

	As at Sep. 30, 2022
No later than one year	\$ 2,374
Later than one year; not later than five years	8,781
Later than five years	8,885
Total	\$ 20,040

On August 23, 2022, the Company entered into a lease agreement with Zephyr, 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. Upon commencement of the lease, the Company will recognize a right-of-use asset and lease liability measured in accordance with *IFRS 16, Leases*. Prior to the commencement of the lease, the Company is required to make three installment payments totaling \$4,484 (the "Tenant Cost Contributions") to assist in funding the construction of the Flagship Facility. During the three and six months ended September 30, 2022, the Company made Tenant Cost Contributions of \$1,121, which have been recorded within "Other long-term assets" on the consolidated statements of financial position. Tenant Cost Contributions will be added to the right-of-use asset when recognized upon commencement of the lease.

15. DEFERRED CONSIDERATION PAYABLE

As discussed in Note 5, in connection with the Etain Acquisition, upon the occurrence of the Second Etain Closing, the Company will pay an additional \$42,444 in cash (subject to customary closing adjustments) and issue an additional 5,273,084 Common Shares. Deferred consideration is measured at fair value at the date of acquisition and subsequently accreted over the term to expected payment using the effective interest method.

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The following table presents a summary continuity schedule for the deferred cash consideration:

	Deferred cash consideration
Balance as at April 1, 2022	\$ -
Add: fair value of deferred consideration pursuant to business combinations (Note 5)	37,896
Accretion expense during the period	1,943
Balance as at September 30, 2022	\$ 39,839

16. CONVERTIBLE NOTES

On April 22, 2022, The Hawthorne Collective purchased an unsecured convertible promissory note of the Company (the "Convertible Note II" and, together with the Convertible Note I described in Note 1, the "Convertible Notes") in the principal amount of \$25,000 (C\$31,272) (the "Second Hawthorne Investment" and, together with the Initial Hawthorne Investment described in Note 1, the "Hawthorne Investments") pursuant to rights existing under the Initial Hawthorne Investment.

The embedded conversion features of the Convertible Notes were determined to meet the definition of a compound financial instrument. As such, on the dates of the respective issuances of the Convertible Notes, the Company estimated the fair value of the debt component of each Convertible Note, and the residual amounts were allocated to, and reported as, equity. To calculate the estimated fair value of the debt and equity components on the date of issuance, the Company used a FinCAD model, which is a widely accepted, commercially available analytic tool that applies the finite difference method of valuation. The fair values of the debt components of each Convertible Note were estimated based upon several key estimates and assumptions, and are accreted over the term to maturity using effective interest rates. Financing costs paid in connection with the Hawthorne Investments were capitalized to the respective debt and equity components based on the relative value of the debt and equity components of each Convertible Note.

The following table presents a summary of key details regarding the Convertible Notes:

	Convertible Note I	Convertible Note II
Issue date	Aug. 24, 2021	Apr. 22, 2022
Maturity date ^{(1) (2)}	Aug. 24, 2027	Aug. 24, 2027
Principal amount	C\$ 188,475	C\$ 31,272
Conversion price	C\$ 1.90	C\$ 1.65
Coupon rate ⁽³⁾	2.0% until Aug. 24, 2023; 0.0% thereafter	2.0% until Apr. 22, 2024; 0.0% thereafter
Gross proceeds received	\$ 150,000	\$ 25,000
Financing costs	\$ 939	\$ 112
Net proceeds received	\$ 149,061	\$ 24,888
Discount rate	16.8%	15.7%
Effective interest rate	13.2%	14.1%
Estimated fair value of debt component	\$ 74,688	\$ 12,889
Estimated fair value of equity component	\$ 75,312	\$ 12,111

⁽¹⁾ Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion upon the later of: (i) August 24, 2023; and (ii) the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis.

⁽²⁾ Convertible Note II may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion following the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis.

⁽³⁾ Accrued interest will be payable on the maturity date or will be included in the conversion value of the Convertible Notes at the time of conversion.

Conversion of the Convertible Notes is subject to the receipt of any required regulatory (including under the Competition Act (Canada) and/or the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976) and stock exchange approvals, and other conditions set out in the terms of the Convertible Notes. The Convertible Notes

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include certain restrictions relating to the permissible uses of the proceeds from the Hawthorne Investments as it relates to the Company's strategy of investing in, or acquiring, cannabis-related operating businesses in the U.S.

As at September 30, 2022, proceeds from the Convertible Notes had been used to satisfy the cash consideration payable upon the Initial Etain Closing.

The following table presents a summary continuity schedule for the Convertible Notes:

	Convertible Note I	Convertible Note II
Balance as at April 1, 2022	\$ 80,388	\$ -
Add: face value upon new issuance	-	25,000
Deduct: value allocated to conversion feature upon new issuance (excluding financing costs allocated to equity component)	-	(11,927)
Deduct: financing costs allocated to debt component upon new issuance	-	(58)
Accretion expense during the period	4,841	723
Effects of FX	(7,177)	(1,314)
Balance as at September 30, 2022	\$ 78,052	\$ 12,424

17. SHARE CAPITAL
Authorized

The Company has one class of shares outstanding (Class A Common Shares). The Company is authorized to issue an unlimited number of Common Shares and each Common Share is entitled to one vote at all meetings of the shareholders of the Company.

Issued and outstanding

The following table presents a summary continuity schedule for the Company's issued and outstanding Common Shares:

	Number of Common Shares
Balance as at April 1, 2022	142,592,403
Issued pursuant to business combinations (Note 5)	21,092,335
Exercise of stock options	-
Redemption of RSUs (as defined herein)	9,628
Redemption of PSUs (as defined herein)	160,260
Other	-
Balance as at September 30, 2022	163,854,626

Common Shares to be issued

Pursuant to the deferred consideration payable in connection with the Etain Acquisition, the Company will issue an additional 5,273,084 Common Shares at the time of the Second Etain Closing.

Share-based compensation

The Company has a long-term incentive plan ("LTIP"), which provides for the issuance of non-transferable options, restricted share units ("RSUs"), performance share units ("PSUs"), stock appreciation rights, and restricted stock to directors, officers, employees, and other eligible service providers of the Company. Pursuant to the LTIP, the maximum number of Common Shares issuable from treasury pursuant to outstanding options, RSUs, and PSUs shall not exceed 10% of the issued and outstanding Common Shares.

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The LTIP is administered by the Board who establishes the number of securities to be awarded in any individual grant, prices for options (at not less than the market price at the date of the grant), and expiry dates. Options issued pursuant to the LTIP generally remain exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and generally have expiry dates five years from the date of grant. RSUs issued pursuant to the LTIP are generally automatically redeemable in increments, with one-third being automatically redeemed on each of the first, second, and third anniversaries from the date of grant. PSUs issued pursuant to the LTIP are generally redeemable in increments, with one-third being redeemable (at the holder's discretion) on each of the first, second, and third anniversaries from the date of grant, and generally have expiry dates five years from the date of grant.

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

	Three months ended		Six months ended	
	Sep. 30, 2022	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2021
Stock options	\$ (193)	\$ 114	\$ (111)	\$ 334
RSUs	123	48	254	96
PSUs	49	52	68	106
Total share-based compensation	\$ (21)	\$ 214	\$ 211	\$ 536

Stock options

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

	As at Sep. 30, 2022	As at Mar. 31, 2022	As at Apr. 1, 2021
Outstanding stock options			
Number outstanding	7,831,501	8,603,001	8,856,334
Weighted average exercise price	C\$ 2.38	C\$ 2.76	C\$ 2.71
Weighted average remaining life	1.2 years	1.4 years	2.3 years
Exercisable stock options			
Number outstanding	6,974,837	8,122,003	6,116,000
Weighted average exercise price	C\$ 2.53	C\$ 2.73	C\$ 2.51
Weighted average remaining life	0.6 years	1.3 years	2.2 years

The following assumptions were used in determining the fair value of new stock option grants during the six months ended September 30, 2022:

	Six months ended Sep. 30, 2022
Share price	C\$0.68 – C\$1.47
Exercise price	C\$0.60 – C\$1.47
Risk-free interest rate	2.5% – 3.4%
Weighted average expected life (years)	3.0 – 4.0
Dividend yield	0%
Expected annualized volatility	65%
Expected forfeiture rate	0%

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

	Number of options	Weighted avg. exercise price
Balance – March 31, 2022	8,603,001	C\$ 2.76
Granted	800,000	1.17
Exercised	-	-
Forfeited	(163,834)	3.87
Expired	(1,407,666)	3.85
Balance – September 30, 2022	7,831,501	C\$ 2.38

RSUs

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

	Number of RSUs	Weighted avg. grant value
Balance – March 31, 2022	381,697	C\$ 1.45
Granted	-	-
Redeemed	(9,628)	0.75
Forfeited	-	-
Balance – September 30, 2022	372,069	C\$ 1.47

PSUs

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

	Number of PSUs	Weighted avg. grant value
Balance – March 31, 2022	1,191,330	C\$ 1.08
Granted	243,000	0.52
Performance factor adjustment	249,691	1.65
Redeemed	(160,260)	1.14
Forfeited	(40,666)	1.28
Balance – September 30, 2022	1,483,095	C\$ 0.98

18. COMMITMENTS AND CONTINGENCIES
Financial obligations

As at September 30, 2022, the Company had the following obligations on an undiscounted basis:

	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Accounts payable and accrued liabilities	\$ 4,529	\$ 4,529	\$ -	\$ -	\$ -
Lease liability ⁽¹⁾	20,040	2,374	4,452	4,329	8,885
Tenant Cost Contributions ⁽²⁾	3,363	3,363	-	-	-
Deferred consideration payable	42,444	42,444	-	-	-
Convertible Notes ⁽³⁾	177,091	-	-	-	177,091
Total financial obligations	\$ 247,467	\$ 52,710	\$ 4,452	\$ 4,329	\$ 185,976

⁽¹⁾ Based on minimum lease payments. Please see Note 14 for additional details.

⁽²⁾ Please see Note 14 for additional details.

⁽³⁾ Assumes the principal balance as at September 30, 2022, remains outstanding at the maturity date. Includes the estimated accrued and unpaid interest over the life of the Convertible Notes. Please see Note 16 for additional details.

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Commitments

Pursuant to the terms of the Company's lease agreement for its cultivation and production facility in Chestertown, New York, the Company has committed to fund certain construction costs related to the ongoing facility expansion project (the "Chestertown Expansion"). The Company's commitment becomes effective once the landlord's capital contributions to the Chestertown Expansion surpass an agreed-upon amount (the "Chestertown Landlord Threshold"). As at September 30, 2022, the Chestertown Landlord Threshold had not been met. The timing and quantum of the Company's potential liability is dependent upon several factors, including the final scope of the Chestertown Expansion. As at September 30, 2022, the Company had estimated that the construction costs related to the Chestertown Expansion for which it will be responsible will be in the range of \$4,500 to \$5,500 and will be payable within the next twelve months. This estimate excludes any costs associated with new equipment for the expanded facility.

Litigation

On May 24, 2022, the Company announced that it had received notice of an Ontario Superior Court of Justice application by JW Asset Management, LLC ("JWAM") in connection with the Company's process regarding the Etain Acquisition. In its application, JWAM seeks a declaration that the management, business, or affairs of the Company have been conducted in a manner that is oppressive or unfairly prejudicial or that unfairly disregards the interests of JWAM as a shareholder of RIV Capital. JWAM also seeks an order requiring the Company to purchase JWAM's Common Shares at C\$1.65 per Common Share.

The Company's position is that the Etain Acquisition complied with all applicable laws and stock exchange requirements and that the position advanced by JWAM is baseless and wholly without merit. The Company asked the court to dismiss the application and award the Company its costs of defending it. A hearing on the matter took place on September 1, 2022, and a decision from the court is pending. Accordingly, as at September 30, 2022, the Company had not recognized a provision related to JWAM's application.

19. REVENUE

The table below presents a summary of the Company's disaggregated net revenue, by source (the Company did not report revenue for any reporting periods ended on or prior to March 31, 2022):

	<u>Three months ended</u>		<u>Six months ended</u>	
	Sep. 30, 2022	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2021
Cannabis retail revenue	\$ 1,771	\$ -	\$ 3,003	\$ -
Cannabis wholesale revenue	125	-	283	-
Non-medicated retail revenue	81	-	119	-
Excise taxes	(124)	-	(211)	-
Total revenue, net	\$ 1,853	\$ -	\$ 3,194	\$ -

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20. OPERATING EXPENSES

The table below presents a summary of the key components of operating expenses:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Sep. 30, 2022</u>	<u>Sep. 30, 2021</u>	<u>Sep. 30, 2022</u>	<u>Sep. 30, 2021</u>
Personnel costs (excluding share-based compensation)	\$ 1,761	\$ 587	\$ 3,056	\$ 1,173
Director fees (excluding share-based compensation)	53	106	110	273
Share-based compensation	(21)	214	211	536
Legal expenses and consulting fees (excluding transaction and restructuring)	1,053	1,021	1,868	1,194
Non-inventoriable lease expenses	122	34	217	65
Non-inventoriable right-of-use asset amortization	151	30	274	60
Non-inventoriable depreciation and amortization of fixed assets and intangible assets	(99)	6	484	15
Audit-related fees	232	139	516	285
Insurance premiums	554	216	1,101	437
Investor relations and other public company expenses	364	94	602	205
Selling and marketing expenses	84	7	150	11
Transaction and restructuring expenses	17	1,419	502	1,422
Severance expense	172	-	467	-
Other	397	162	811	388
Total operating expenses	\$ 4,840	\$ 4,035	\$ 10,369	\$ 6,064

As permitted during the measurement period for a business combination, during the three months ended September 30, 2022, the Company refined the valuation of identifiable intangible assets acquired in the Etain Acquisition described in Note 5 and updated the amortization method for the acquired cannabis license to more appropriately reflect the manner in which the cannabis license is projected to be utilized over its expected life. As a result, the non-inventoriable amortization of intangible assets for the three months ended September 30, 2022, reflects a recovery, such that the non-inventoriable amortization of intangible assets for the six months ended September 30, 2022, is appropriately presented.

21. INCOME TAXES

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Sep. 30, 2022</u>	<u>Sep. 30, 2021</u>	<u>Sep. 30, 2022</u>	<u>Sep. 30, 2021</u>
Current income tax expense (recovery)	\$ (947)	\$ (1,990)	\$ (21)	\$ (7,470)
Deferred income tax expense (recovery)	(1,174)	(880)	(1,476)	651
Income tax expense (recovery)	\$ (2,121)	\$ (2,870)	\$ (1,497)	\$ (6,819)

During the three and six months ended September 30, 2022, the Company recognized current income tax expense of \$nil directly within other comprehensive income (three and six months ended September 30, 2021 – current income tax recovery of \$nil and \$194, respectively). During the three and six months ended September 30, 2022, the Company recognized deferred income tax expense of \$145 and \$217, respectively, directly within other comprehensive income (three and six months ended September 30, 2021 – deferred income tax expense of \$52 and \$185, respectively).

Upon initial recognition of Convertible Note I and Convertible Note II described in Note 16, the Company recognized a charge of \$19,805 and \$3,124, respectively, directly within equity and a corresponding deferred tax liability as a result of a temporary difference triggered by the recognition of the conversion feature within equity. The Company's reserve in shareholders' equity related to the Convertible Notes is presented net of these charges and does not get remeasured. For the three and six months ended September 30, 2022, the

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deferred tax liability related to the Convertible Notes was reduced by \$545 and \$1,061, respectively, through a corresponding deferred income tax recovery included in net loss (three and six months ended September 30, 2021 – \$167). As at September 30, 2022, the Company had recognized deferred tax liabilities of \$19,415 related to the Convertible Notes (March 31, 2022 – \$19,153).

In connection with the Etain Acquisition described in Note 5, the Company recognized \$23,864 of deferred tax liabilities as a result of temporary differences related to the intangible assets acquired in the business combination. During the six months ended September 30, 2022, these deferred tax liabilities were reduced by \$294 through a corresponding deferred income tax recovery included in net loss. As at September 30, 2022, the Company had recognized deferred tax liabilities of \$23,570 related to the intangible assets acquired in the Etain Acquisition (March 31, 2022 – not applicable). As described in Note 3, the purchase price allocation related to the Etain Acquisition remained provisional as at September 30, 2022.

As at September 30, 2022, the Company had recognized a deferred tax asset of \$482 primarily related to temporary differences the Company expects to reverse and be available for carryback to recover income taxes paid in respect of previous taxation years (March 31, 2022 – \$1,334).

During the three and six months ended September 30, 2022, certain of the Company's subsidiaries made income tax-related payments of \$362 (three and six months ended September 30, 2021 – income tax-related payments of \$nil and \$13,661, respectively). The Company expects to continue to make income tax-related payments for the fiscal year ending March 31, 2023, for certain of its U.S. subsidiaries. The Company has not made any income tax installment payments relating to the fiscal year ending March 31, 2023, for its Canadian subsidiaries as the Company expects to be in a net tax recovery position for the fiscal year.

Certain entities over which the Company exercises financial control operate in the cannabis industry and are subject to the limits of IRC Section 280E for U.S. federal income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

22. EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net income (or loss) of the Company by the weighted average number of Common Shares outstanding during the period. Diluted EPS is calculated by dividing the net income (or loss) of the Company by the weighted average number of Common Shares outstanding during the period as if potentially dilutive Common Shares had been issued during the period.

The Company has included the 5,273,084 Common Shares to be issued at the time of the Second Etain Closing in the weighted average number of shares calculation for purposes of computing basic EPS. The tables below present the calculation of basic and diluted EPS for the Company:

	<u>Three months ended Sep. 30, 2022</u>			<u>Three months ended Sep. 30, 2021</u>		
	Net loss	Weighted avg. # of shares	EPS	Net loss	Weighted avg. # of shares	EPS
Basic	\$ (142,324)	169,113,578	\$ (0.84)	\$ (1,183)	142,435,965	\$ (0.01)
Dilutive securities		-			-	
Diluted	\$ (142,324)	169,113,578	\$ (0.84)	\$ (1,183)	142,435,965	\$ (0.01)

	<u>Six months ended Sep. 30, 2022</u>			<u>Six months ended Sep. 30, 2021</u>		
	Net loss	Weighted avg. # of shares	EPS	Net loss	Weighted avg. # of shares	EPS
Basic	\$ (145,798)	165,939,751	\$ (0.88)	\$ (25,693)	142,394,736	\$ (0.18)
Dilutive securities		-			-	
Diluted	\$ (145,798)	165,939,751	\$ (0.88)	\$ (25,693)	142,394,736	\$ (0.18)

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23. CHANGES IN NON-CASH WORKING CAPITAL

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

	Six months ended Sep. 30, 2022	Six months ended Sep. 30, 2021
Change in accounts receivable	\$ 108	\$ -
Change in inventory	(176)	-
Change in biological assets	(149)	-
Change in income tax receivable	-	(2,262)
Change in other receivables	(145)	3
Change in prepaid expenses and deposits	811	443
Change in other current assets	61	-
Change in interest receivable – long term	-	(319)
Change in accounts payable and accrued liabilities	211	(446)
Change in deferred revenue	33	-
Net impact of changes in working capital	\$ 754	\$ (2,581)

24. RELATED PARTY TRANSACTIONS**Key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board. Together, these individuals controlled approximately 1.1% of the Common Shares of the Company on a fully diluted basis as at September 30, 2022.

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	Sep. 30, 2022	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2021
Executive management				
Salaries and accrued bonuses	\$ 532	\$ 296	\$ 967	\$ 595
Share-based compensation	(203)	99	(134)	270
Board				
Director fees ⁽¹⁾	\$ 53	\$ 32	\$ 110	\$ 78
Special committee fees	-	73	-	194
Share-based compensation	128	51	260	109

⁽¹⁾ At the beginning of the Company's fiscal year, each director submits an election to allocate their annual retainer between cash and share-based compensation, subject to certain restrictions. Director fees indicated above represent the cash portion of total director compensation (excluding special committee fees, which are paid in cash and presented separately), with the remainder presented in share-based compensation.

Transactions with The Hawthorne Collective

On April 22, 2022, The Hawthorne Collective invested \$25,000 in the Company pursuant to Convertible Note II issued by the Company. Please refer to Note 16 for further details regarding the Hawthorne Investments.

The accrued and unpaid interest under the Convertible Notes is subject to Income Tax Act (R.S.C. 1985 c. 1 (5th Supp.)) non-resident thin capitalization tax rules. Accordingly, as at September 30, 2022, the Company had recognized an accrued liability of \$265 for the withholding tax that will be payable to the Canada Revenue Agency. Pursuant to the Convertible Note I and Convertible Note II agreements, The Hawthorne Collective and the Company have agreed to share this liability equally. As such, as at September 30, 2022, the Company had recognized a related party receivable from The Hawthorne Collective of \$131.

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During the three and six months ended September 30, 2022, the Company purchased equipment for \$772 and \$802, respectively, from Hawthorne Hydroponics, an affiliate of The Hawthorne Collective, for its Chestertown cultivation and production facility. These purchases were made on market terms. The Company anticipates making additional facility equipment purchases from affiliates of The Hawthorne Collective as part of its ongoing development of the Chestertown facility and the Flagship Facility. The Company expects any such additional purchases to be made on market terms.

Transactions with KDBF Ventures, LLC ("KDBF")

During the three and six months ended September 30, 2022, the Company recorded lease payments of \$552 and \$883, respectively, to KDBF, the owner of the Chestertown Cultivation facility and two of Etain's retail dispensaries in New York. The lease agreements between the Company and KDBF were negotiated at market terms.

Other

All other transactions are in the normal course of operations and were entered into at market terms.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's other receivables; specifically, interest and royalty receivables. The Company is exposed to credit-related losses in the event of default by the counterparties. The Company has provided financing and upfront capital to investees in the normal course of business and has evaluated and monitored counterparty credit to mitigate credit risk.

The Company records a provision for expected credit losses ("ECLs") on financial assets measured as the probability-weighted present value of all expected cash shortfalls over the remaining expected life of the financial instrument, giving consideration to mitigating effects of collateral and security, reasonable and supportable information about past events, current economic conditions, and forecasts of future events. The estimation and application of forward-looking information requires significant judgement. The measurement of ECLs is primarily based on the product of the financial instrument's probability of default, loss given default, and exposure at default.

The following tables present summary continuity schedules for the Company's provision for ECLs:

	Interest and royalty receivable
Balance – March 31, 2022	\$ 682
Change in provision	109
Write-offs charged against provision	-
Effects of FX	(62)
Balance – September 30, 2022	\$ 729

	Interest and royalty receivable	Interest receivable – long-term	Financial guarantee liability
Balance – March 31, 2021	\$ 3,053	\$ 142	\$ 2,386
Change in provision	1,706	38	(1,600)
Write-offs charged against provision	-	-	-
Effects of FX	(42)	(2)	(786)
Balance – September 30, 2021	\$ 4,717	\$ 178	\$ -

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Fair values

Financial instruments measured at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the observability of significant inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – valuation techniques using one or more significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying amount of cash and cash equivalents, accounts receivable, income tax receivable, other receivables, and accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

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

The following tables provide information about how the fair values of the Company's other financial instruments were determined as at September 30, 2022:

Financial assets at fair value through profit or loss				
Instruments	Fair value as at Sep. 30, 2022	Entity and financial asset	Fair value hierarchy and valuation technique	Key inputs
Equities	\$ 405	RAMM common shares	(Level 1): Quoted share price	• Not applicable
Convertible debentures	\$ 613	NOYA convertible debenture	(Level 3): FinCAD model (with a Black-Scholes option pricing model). Due to the immaterial nature of changes since initial recognition, the Company has applied certain valuation inputs and assumptions that are consistent with those used upon initial recognition	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Principal amount advanced (C\$1,000) • Interest rate (12%) • Conversion price (C\$0.60) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price (C\$0.60) • Implied credit spread (20%) • Expected annualized volatility (101%)
Royalty instruments	\$ 3,505	Agripharm royalty interest	(Level 3): Cost approach – adjusted book value: based upon the estimated recoverability values of Agripharm's assets in an orderly liquidation	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Carrying values from Agripharm's statement of financial position (various) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Recoverability percentages applied to the carrying values of each class of Agripharm's assets (various)

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Financial assets at fair value through profit or loss				
Instruments	Fair value as at Sep. 30, 2022	Entity and financial asset	Fair value hierarchy and valuation technique	Key inputs
		NOYA royalty interest	(Level 3): Income approach – discounted cash flow: based upon the net cash flows expected to be generated from the asset, discounted to present value at a commensurate rate of return	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Per gram royalty • Minimum annual payment (C\$900) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Cannabis production (various) • Discount rate (35%)
Warrants	\$ 80	Dynaleo warrants	(Level 3): Black-Scholes option pricing model	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Exercise price (C\$1.42) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price (C\$1.25) • Expected life (0.3 years) • Expected annualized volatility (65%)
Total FVTPL	\$ 4,603			

⁽¹⁾ As at September 30, 2022, the Company also owned a convertible debenture and common share purchase warrants of Civilized, preferred share purchase warrants of High Beauty, and common share purchase warrants of NOYA, which are not included in the table above as the estimated fair values of these investments were \$nil at both the beginning and the end of the reporting period.

Financial assets at fair value through other comprehensive income				
Instruments	Fair value as at Sep. 30, 2022	Entity and financial asset	Fair value hierarchy and valuation technique	Key inputs
Equities	\$ 19,723	BioLumic preferred shares	(Level 3): Market approach – most recent financing: based upon per share valuation implied by BioLumic's March 2022 equity financing, adjusted for FX gains/losses	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price (\$7.49) • FX rate (1.37) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price (\$7.49)
		Dynaleo common shares	(Level 3): Market approach – most recent financing: based upon warrant exercise price in Dynaleo's March 2022 debt financing	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Warrant exercise price (C\$1.25) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price (C\$1.25)
		Headset preferred shares	(Level 3): Market approach – most recent financing: based upon per share valuation in Headset's November 2021 equity financing, adjusted for FX gains/losses	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price (\$2.27) • FX rate (1.37) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price (\$2.27)
		ZeaKal preferred shares	(Level 3): Market approach – most recent financing: based upon per share valuation in ZeaKal's August 2019 equity financing, adjusted for FX gains/losses	<i>Key observable inputs:</i> <ul style="list-style-type: none"> • Financing price (\$40.25) • FX rate (1.37) <i>Key unobservable inputs:</i> <ul style="list-style-type: none"> • Share price (\$40.25)
Total FVTOCI	\$ 19,723			

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As at September 30, 2022, the total fair values by fair value hierarchy level were as follows:

Financial assets

- Level 1: \$405 (March 31, 2022 – \$411; April 1, 2021 – \$115,801)
- Level 2: \$nil (March 31, 2022 – \$nil; April 1, 2021 – \$nil)
- Level 3: \$23,921 (March 31, 2022 – \$28,762; April 1, 2021 – \$33,105)

No transfers between fair value levels occurred during the three and six months ended September 30, 2022.

The following valuation techniques and the corresponding significant unobservable inputs are used by the Company for instruments categorized in Level 3 of the fair value hierarchy:

- Income approach (Level 3) – Discounted cash flows are used to capture the present value of the expected future economic benefits to be derived from certain investments in the Company's portfolio. Significant unobservable inputs and the relationship to fair value can include the following:
 - Cannabis production, considering management's experience and knowledge of the investees' growing facilities. An increase in this input would result in an increase in fair value.
 - Discount rate determined based upon expected rates of return for similar-stage ventures commensurate with the risk inherent in achieving the expected cash flows. An increase in this input would result in a decrease in fair value.
- Cost approach (Level 3) – A range of recoverability estimates, expressed as a percentage of carrying value, is applied to the carrying values of assets and liabilities to estimate an entity's adjusted book value, with consideration of the following inputs:
 - Recoverability percentages: An increase in the recoverability percentage of a company's assets would result in an increase in fair value, and an increase in the recoverability percentage of the company's liabilities would result in a decrease in fair value.

The Company performed sensitivity analyses over key inputs to Level 3 investments and has outlined the potential corresponding impact on total comprehensive loss below. The illustrative changes to the fair values of the financial instruments presented below have been determined based upon changes to individual inputs independently, without consideration of the impact of such change on other variables that influence value. The realization of the sensitivities outlined below would have affected the Company's net changes in fair value of financial assets at FVTPL and would not have had a material impact on cash flows from operations.

Investee	Instrument	Input	Assumption	Change	Impact
Agripharm	Royalty interest	Recoverability percentage	Various	- 10.0% (abs)	\$ (365)
NOYA	Royalty interest	Discount rate	35%	+ 2.5% (abs)	\$ (146)

Foreign currency

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 currencies of the Company and its subsidiaries are listed in Note 2(d). The Company and certain subsidiaries hold cash and cash equivalents and incur operating expenses in currencies other than their functional currency. 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 the U.S. dollar/Canadian dollar exchange rate could have a negative impact on the Company's financial results. A 1.0% increase in the value of the U.S. dollar compared to the Canadian dollar would result in an unrealized foreign exchange gain of \$889. A 1.0% decrease in the value of the U.S. dollar compared to the Canadian dollar would result in an unrealized foreign exchange loss of \$889. Other than foreign-denominated cash, each of the Company's consolidated subsidiaries does not hold significant monetary assets or liabilities in currencies other than its respective functional currency.

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26. CHANGE IN PRESENTATION CURRENCY

Effective April 1, 2022, the Company changed its presentation currency from the Canadian dollar to the U.S. dollar. All comparative period amounts included in the Interim Financial Statements have been restated to reflect the change in presentation currency.

The amounts previously reported in Canadian dollars as shown below have been translated into U.S. dollars at the March 31, 2022, and April 1, 2021, exchange rates, respectively, as disclosed in Note 3(a). The impact of the change in presentation currency is as follows:

	As at March 31, 2022		As at April 1, 2021	
	Previously Reported (C\$)	Translated (\$)	Previously Reported (C\$)	Translated (\$)
Current assets	\$ 412,606	\$ 330,190	\$ 131,731	\$ 104,756
Non-current assets	45,009	36,021	203,631	161,935
Total assets	\$ 457,615	\$ 366,211	\$ 335,362	\$ 266,691
Current liabilities	\$ 4,932	\$ 3,946	\$ 23,638	\$ 18,797
Non-current liabilities	121,899	97,551	264	210
Total liabilities	\$ 126,831	\$ 101,497	\$ 23,902	\$ 19,007

The amounts previously reported in Canadian dollars as shown below have been translated into U.S. dollars at the average rates for the three and six months ended September 30, 2021, as disclosed in Note 3(a). The impact of the change in presentation currency is as follows:

	Three months ended Sep. 30, 2021		Six months ended Sep. 30, 2021	
	Previously Reported (C\$)	Translated (\$)	Previously Reported (C\$)	Translated (\$)
Gross profit	\$ -	\$ -	\$ -	\$ -
Operating loss	(6,808)	(4,035)	(8,878)	(6,064)
Net loss	(1,496)	(1,183)	(31,915)	(25,693)
Total comprehensive loss (before foreign currency translation)	\$ (1,062)	\$ (842)	\$ (31,973)	\$ (25,755)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.22)	\$ (0.18)

The amounts previously reported in Canadian dollars as shown below have been translated into U.S. dollars, as disclosed in Note 3(a). The impact of the change in presentation currency is as follows:

	Six months ended Sep. 30, 2021	
	Previously Reported (C\$)	Translated (\$)
Net cash used in operating activities	\$ (23,527)	\$ (20,519)
Net cash provided by investing activities	110,318	85,442
Net cash provided by financing activities	187,249	145,015

27. SUBSEQUENT EVENTS

On November 21, 2022, the Cannabis Control Board approved provisional regulations for the New York adult-use cannabis market. The regulations are subject to a 60-day public comment period (and potentially additional comment periods prior to finalization), following which it is expected that the Cannabis Control Board will formally finalize the adult-use parameters applicable to RO's. The Company will assess whether the finalized regulations establish a requirement for additional impairment testing.

On November 21, 2022, the Cannabis Control Board and OCM approved Etain LLC's ownership transfer request. The final closing of the Etain Transaction remains subject to customary closing conditions and is expected to occur by the end of the Company's third fiscal quarter of 2023.