



RIV CAPITAL

RIV CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED MARCH 31, 2024 and 2023

Date: May 30, 2024

References in this Management’s Discussion and Analysis (“**MD&A**”) to “**RIV Capital**” or the “**Company**” refer to RIV Capital Inc. and/or its subsidiaries, as applicable. RIV Capital is a publicly-traded corporation, incorporated under the laws of the Province of Ontario and located at 3303 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3Y2. The Company’s class A common shares (the “**Common Shares**”) are listed on the Canadian Securities Exchange under the trading symbol “RIV”.

RIV Capital is an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of cannabis brands in key strategic markets in the United States (“**U.S.**”). Backed by in-house expertise and cannabis domain knowledge, RIV Capital aims to grow its own brands and partner with established U.S. cannabis operators and brands to bring them to new markets and build market share. As of the date hereof, in light of the Etain Acquisition (as defined herein) and the agreements referenced under the heading “*Company Overview – Etain Acquisition and the Second Hawthorne Investment*”, following the Initial Etain Closing (as defined herein), the Company (through Etain (as defined herein)) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Canadian Securities Administrators Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the “**Staff Notice**”). Please refer to “*Regulatory Framework*” below for additional information.

This MD&A, dated May 30, 2024, reports on the financial condition and results of operations of RIV Capital for the three months ended March 31, 2024, and 2023. This MD&A should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024 and 2023 (the “**Interim Consolidated Financial Statements**”), including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board. This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. The Interim Consolidated Financial Statements have not been reviewed by the Company’s auditors.

During the nine months ended December 31, 2023, the Company changed its fiscal year end from March 31 to December 31, to align its financial statement and continuous disclosure requirements with the majority of its industry peers that operate on a calendar fiscal year end. The comparative period presented in this MD&A and the Interim Consolidated Financial Statements is for the three months ended March 31, 2023, which has not previously been reported in historical unaudited condensed interim consolidated financial statements published by the Company. Further details regarding the change in fiscal year end, including the length and ending dates of the Company’s financial reporting periods, are available in the Company’s Notice of Change in Year End prepared in accordance with Section 4.8 of National Instrument 51-102 and filed on the Company’s SEDAR+ profile at www.sedarplus.com.

By their nature, the Interim Consolidated Financial Statements do not include all of the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with the Company’s audited consolidated financial statements for the nine months ended December 31, 2023, and year ended March 31, 2023, and the notes thereto (the “**Annual Consolidated Financial Statements**”), and the related MD&A for the three months and nine month transition period ended December 31, 2023, and three months and year ended March 31, 2023 (the “**Annual MD&A**”), each dated April 29, 2024. Generally, information contained within the Annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

Additional information related to the Company, including this MD&A, the Interim Consolidated Financial Statements, the Annual MD&A, the Annual Consolidated Financial Statements, and the Company’s press releases, have been filed electronically under the Company’s profile on SEDAR+ at www.sedarplus.com and also on the Company’s website at www.rivcapital.com.

The Interim Consolidated Financial Statements and this MD&A have been reviewed by the Company’s audit committee (the “**Audit Committee**”) and approved by the Company’s board of directors (the “**Board**”) on May 29, 2024.

Unless otherwise indicated, all financial information in this MD&A is presented in thousands of dollars, except share and per share amounts. All amounts are expressed in U.S. dollars and references to “\$” are to U.S. dollars and references to “C\$” are to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” within the meaning of applicable Canadian securities laws. All information, other than statements of historical fact, included in this MD&A that address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including things such as future business strategy, competitive strengths, goals, expansion, and growth of the Company’s and the Investees’ (as defined herein) businesses, operations, plans, and other matters, is forward-looking information. To the extent any forward-looking information in this MD&A constitutes “financial outlooks” within the meaning of applicable Canadian securities laws, the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such financial outlooks. Forward-looking information is often identified by the words “may”, “would”, “could”, “should”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, “seek”, “positioned”, “project”, “risk” or similar expressions and includes, among others, statements relating to:

- The Company’s expectations regarding being considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice (as defined herein);
- the Company’s expectations regarding the reliability of independent sources of market and industry data;
- the evolution of cannabis markets globally and the potential for global investment opportunities to arise;
- the Company’s expectations regarding legislation, regulations, and licensing related to various cannabis markets and product offerings;
- the potential time frame for the implementation of legislation and related regulations regarding the production, sale, and use of hemp and hemp-derived products in the U.S. and the potential form that implementation of the legislation and related regulations will take;
- the potential time frame for the implementation of legislation for a regulated medical or adult-use market, or related activities, in the U.S. and internationally, and the potential form that implementation of the legislation will take, including the method of delivery and framework adopted or to be adopted in the U.S. or various international jurisdictions, as applicable;
- the Company’s expectations regarding recent regulatory and legislative changes in the U.S., including, but not limited to, President Biden’s previously announced marijuana-related initiatives, the HHS’ (as defined herein) recommendations to the DEA (as defined herein) that marijuana be rescheduled under the CSA (as defined herein), the DEA’s (as defined herein) proposed rulemaking to reschedule cannabis, the CCB’s (as defined herein) approved regulations for the New York medical and adult-use cannabis market and proposed amendments and/or legal challenges to such regulations, and licensing application forms and guidance for adult-use license types;
- the Company’s expectations regarding the number and types of adult-use and medical cannabis licenses that may be issued by the CCB and the impact that such license awards may have on the Company’s expectations, business, and strategy;
- the Company’s expectations with respect to the SAFER Banking Act (as defined herein);
- the impact of legislative changes related to cannabis on the ability of the Company to further invest or hold interests in other entities in the U.S. or any other jurisdiction;
- the size and roll out of the medical and adult-use cannabis markets in various jurisdictions;
- the Company’s expectations regarding the anticipated benefits of its strategic partnership with ScottsMiracle-Gro (as defined herein);
- the plans, strategies, and objectives of the Company, Etain and the Investees, including the expected timing for implementing such plans, strategies, and objectives, and expectations regarding international investment opportunities and the Company’s ability to enter and participate in such opportunities;
- the Investees’ capital needs and potential additional investments by the Company in such Investees;
- the Company’s expectations regarding the U.S. cannabis market;
- the Company’s expectations regarding opportunities created by the current political and regulatory conditions in the U.S.;
- the Company’s expectations regarding sales trends resulting from medical and adult-use programs being adopted in U.S. states;
- the Company’s expectations regarding the changing political environment in the U.S.;
- the Company’s expectations regarding the uncertainty and constraints faced by other U.S. cannabis market participants, including the ability to access capital;
- the Company’s expectations regarding its ability to grow in the U.S. cannabis market, including growth resulting from the CGC Transaction (as defined herein), the Hawthorne Investments (as defined herein), and the Etain Acquisition;
- the Company’s expectations regarding the strength of its balance sheet and its knowledge of the U.S. cannabis landscape, including the ability of such knowledge and the strength of the balance sheet to allow the Company to grow in the U.S. cannabis market;
- the Company’s expectations and plans surrounding the shift in its strategic focus to the U.S. cannabis market;

- the Company's expectations of the anticipated benefits of the Etain Acquisition and strategic rationale for acquiring Etain (as defined herein), including expectations regarding legal cannabis market opportunities in New York, the benefits of the New York cannabis market, and the value of New York cannabis licenses;
- the impact of recent developments in the New York cannabis market, including the impact of such developments on New York cannabis license holders, the purchase price paid in the Etain Acquisition, and market perceptions of the value of New York cannabis licenses;
- the Company's expectations regarding Etain's business, including its market share, sales, brand, products, and locations;
- the Company's expectations with respect to the Chestertown Expansion (as defined herein) and the impact of the Chestertown Expansion on Etain's cultivation and production footprint;
- the anticipated demand of the adult-use cannabis market in New York;
- Etain LLC's ability to evaluate new product formats to meet the demands of the evolving cannabis market;
- the Company's expectations regarding its competitive advantage in respect of its liquidity and available capital, including having sufficient capital to execute its business plan in New York and invest in opportunities throughout the U.S. cannabis market;
- the Company's expectations regarding the development of the Flagship Facility (as defined herein) in upstate New York and expectations related thereto, including timing for completion thereof and expectations related to the Zephyr Lease (as defined herein) and related accounting treatment;
- estimates with respect to the Company's commitment to fund certain construction costs pursuant to the Zephyr Lease;
- the Company's expectations regarding its capital investments in Etain's New York cannabis operations;
- the ability of the Company to achieve its growth objectives in a capital efficient manner;
- the Company's expectations regarding the Special License Fee that Etain LLC will be required to pay to the OCM (as defined herein) in accordance with the regulations to operate in New York State's adult-use cannabis market pursuant to MRTA (as defined herein) Section 63-1a;
- the expansion of Etain LLC's retail footprint;
- the Company's expectations regarding its shareholders, including maximizing shareholder value;
- the Company's expectations with respect to its future financial results, and terms of strategic initiatives and strategic agreements;
- the Company's expectations with respect to its business activities and future financial and operating performance, and the anticipated cash profitability of its business;
- the Company's expectations with respect to the business activities, products, and future financial and operating performance of its Investees;
- the Company's exposure to risks related to the cannabis industry, including in light of the Etain Acquisition;
- the Company's expectations about the growth and future market volatility of the cannabis industry;
- changes and trends in the Company's industry or the global economy;
- the potential impact of infectious diseases, including the COVID-19 pandemic;
- future investments, the need for additional financing, the potential for additional dilution as a result of issuing additional equity securities, other business activities, and corporate development, including potential investment structures, including by way of investments in, or acquisitions of, companies that may have operations in the U.S.;
- the Company's expectations with respect to future expenditures and capital activities, including the ability to access the capital markets and obtain additional financing on terms acceptable to the Company, if at all;
- the Company's expectations regarding additional facility equipment purchases from affiliates of The Hawthorne Collective (as defined herein);
- the Company's liquidity position and the Company's belief that it has sufficient capital resources for the next twelve months;
- the Company's expectations regarding its ability to strengthen its financial position with future equity or debt financings, the divestment of certain investments, or other liquidity events;
- the management of the Company's portfolio, including its growth, optimization, and capital allocation;
- the potential for the Company to invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees;
- the Company's dividend policy and its current stated goal to reinvest retained earnings, if any;
- statements about expected use of proceeds from fundraising activities;
- the assumptions and expectations described in the Company's critical accounting policies and estimates;
- the adoption and impact of certain accounting pronouncements;
- risks related to internal control over financial reporting; and
- the Company's expectation that the tax attributes related to goodwill and intangible assets acquired in the Etain Acquisition will be subject to IRC Section 280E (as defined herein).

Investors are cautioned that forward-looking information is not based on historical fact, but instead is based on the reasonable assumptions and estimates of management of the Company at the time they are made and involve known

and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking information. Such factors include, but are not limited to, the factors discussed in the section entitled “*Financial Risk Management*” herein and the section entitled “*Risk Factors*” in the Annual MD&A. Financial outlooks, as with forward-looking information generally, are, without limitation, based on assumptions and subject to various risks as discussed in the section entitled “*Financial Risk Management*” herein and the section entitled “*Risk Factors*” in the Annual MD&A. The Company’s actual financial position and results of operations may differ materially from management’s current expectations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from statements contained in forward-looking information, there may be other factors that cause results to not be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Forward-looking information is made as of the date given and the Company does not intend or undertake any obligation to publicly revise or update any forward-looking information that is included in this MD&A, whether as a result of new information, future events, or otherwise, other than as required by applicable law.

THIRD-PARTY INFORMATION

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

TRADEMARKS, TRADE NAMES, AND COPYRIGHTS

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

COMPANY OVERVIEW

As noted above, RIV Capital is an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of cannabis brands in key strategic U.S. markets. Backed by in-house expertise and cannabis domain knowledge, RIV Capital aims to grow its own brands and partner with established U.S. cannabis operators and brands to bring them to new markets and build market share. The Company's original focus was on strategic transactions with companies licensed under the Canadian federal regulatory framework for cannabis cultivation, processing, distribution, and sale (currently, the *Cannabis Act* (Canada) and *Cannabis Regulations*, as amended (collectively, the "**Cannabis Act**")) and ancillary businesses related to the cannabis industry. In connection with the completion of the CGC Transaction (as defined herein), the Company shifted its strategic focus to the U.S. cannabis market. On March 30, 2022, the Company announced the Etain Purchase Agreements (as defined herein) to acquire Etain, a vertically integrated cannabis operator in the state of New York, and on April 22, 2022, and December 15, 2022, the Initial Etain Closing (as defined herein) and the Second Etain Closing (as defined herein), respectively, occurred. A summary of certain key events in the Company's corporate history is provided below.

AIM2 Ventures Inc. Qualifying Transaction

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."

CGC Transaction

Prior to the completion of the CGC Transaction, the Company was controlled by Canopy Growth Corporation ("**CGC**"). On February 23, 2021, the Company, its wholly-owned subsidiary RIV Capital Corporation ("**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, as defined above).

Initial Hawthorne Investment

As further discussed under "*Description of Business, Industry, and Strategy – U.S. Cannabis Platform – Strategic Shift to the U.S. Cannabis Market*" below, in early 2021, RIV Capital embarked upon a strategic shift to the U.S. cannabis market. On August 24, 2021, The Hawthorne Collective, Inc. ("**The Hawthorne Collective**"), a newly-formed cannabis-focused subsidiary of The Scotts Miracle-Gro Company ("**ScottsMiracle-Gro**"), invested \$150,000 in the Company pursuant to an unsecured convertible promissory note (the "**Convertible Note I**") issued by RIV Capital (the "**Initial Hawthorne Investment**"). The Initial Hawthorne Investment established RIV Capital as ScottsMiracle-Gro's preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro).

Etain Acquisition and the Second Hawthorne Investment

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, owner and operator of legally licensed cannabis cultivation and retail dispensaries in the state of New York (together, the "**Etain Companies**" or "**Etain**"), for \$247,006 (subject to certain adjustments) payable through a combination of cash and newly issued Common Shares. Under the terms of the Etain Purchase Agreements, \$212,219 of the purchase price was to be satisfied in cash (subject to customary post-closing adjustments) and \$34,787 of the purchase price was to be satisfied by the issuance of Common Shares.

The Etain Acquisition was structured to close in two stages. On April 22, 2022, the initial closing of the Etain Acquisition (the "**Initial Etain Closing**") was completed. In connection with the Initial Etain Closing, RIV Capital acquired the non-regulated portion of the Etain Companies through a combination of cash in the amount of \$169,775 (subject to customary post-closing adjustments) and 21,092,335 newly issued Common Shares.

On April 22, 2022, concurrent with the Initial Etain Closing, The Hawthorne Collective completed an additional \$25,000 unsecured convertible promissory note (the "**Convertible Note II**", and together with the Convertible Note I, the "**Convertible Notes**") investment in the Company pursuant to rights existing under the Initial Hawthorne Investment

(the “**Second Hawthorne Investment**”, and together with the Initial Hawthorne Investment, the “**Hawthorne Investments**”). To finance the cash portion of the consideration payable pursuant to the Initial Etain Closing, the Company utilized proceeds received from the Hawthorne Investments.

On November 21, 2022, the New York State Cannabis Control Board (the “**CCB**”) and the New York State Office of Cannabis Management (the “**OCM**”) approved Etain LLC’s change of control request. On December 15, 2022, the Company completed the Etain Acquisition (the “**Second Etain Closing**”). In connection with the Second Etain Closing, the Company satisfied the remainder of the purchase price through a combination of cash in the amount of \$42,444 (subject to customary post-closing adjustments) and 5,273,084 newly issued Common Shares.

Present Day

The table below lists, as of the date of this MD&A, the Company, its active controlled material subsidiaries, their respective jurisdictions of incorporation or formation, and the percentage of voting securities of each that are beneficially owned, controlled, or directed by the Company:

Summary of the Company and its Active Subsidiaries		
Name of Company	Place of Incorporation or Formation	Ownership %
RIV Capital Inc.	Canada	n/a
2683922 Ontario Inc.	Canada	100%
RIV Capital US Corporation	U.S.	100%
RIV Capital US Holdings LLC	U.S.	100%
RIV Capital US Real Estate LLC	U.S.	100%
RIV Capital US Services LLC	U.S.	100%

Following the Initial Etain Closing, the following events occurred: i) the assets of Etain IP were transferred to the Company’s U.S. subsidiaries; ii) Etain IP was converted from a limited liability company to a corporation named “Etain IP Corp.”; iii) the Company’s former wholly-owned indirect subsidiary, RIV Capital US Corporation, dissolved and transferred its assets to Etain IP Corp.; and iv) Etain IP Corp. changed its name to RIV Capital US Corporation.

In addition, the Company, through its subsidiaries, provides support services to Etain LLC, a legally licensed cannabis cultivation and retail dispensary operator in the state of New York. The Company has also entered into agreements with Etain LLC that prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the economic benefits that the Company expects to derive from its relationship with Etain LLC. For financial reporting purposes, the Company is considered to control an entity when it has power to direct certain activities of an entity; is exposed, or has rights to, variable returns from its involvement with an entity; and has the ability to affect those returns. The Company has assessed that as of the Initial Etain Closing, it controls Etain LLC for financial reporting purposes.

Furthermore, on December 15, 2022, the Company, through its subsidiary RIV Capital US Holdings LLC, entered into a convertible promissory note agreement with Allgro Holdings LLC (“**Allgro**”), a member-managed limited liability company that, following the Second Etain Closing, holds the membership interests in Etain LLC. The consideration received by Allgro from the Company’s convertible note investment, in an aggregate principal amount of \$5,500, represented the sole source of financing used by Allgro to complete the acquisition of Etain LLC on December 15, 2022. Pursuant to the convertible promissory note agreement, the Company is afforded substantive voting rights. Accordingly, the Company has assessed that as of the Second Etain Closing, it controls Allgro for financial reporting purposes.

DESCRIPTION OF BUSINESS, INDUSTRY, AND STRATEGY

U.S. Cannabis Platform

Strategic Shift to the U.S. Cannabis Market

On February 23, 2021, the Company completed the CGC Transaction. Upon completion of the CGC Transaction, the Board, in consultation with management and external advisors, comprehensively re-evaluated the Company’s business and investment strategy. As a result, the Company shifted its strategic focus to potential material investments in, or acquisitions of, established operating businesses in the U.S. cannabis market.

As RIV Capital embarked upon its strategic shift to the U.S. cannabis market, the Company, in an effort to enhance the differentiation of the platform and strengthen its positioning for future operational success, established a strategic partnership with ScottsMiracle-Gro through The Hawthorne Collective. As discussed above under “Company Overview – Initial Hawthorne Investment”, on August 24, 2021, The Hawthorne Collective invested \$150,000 in the Company pursuant to the Convertible Note I issued by the Company.

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

The Company believes that the market opportunity in the U.S. continues to be significant, and that current political and regulatory conditions present a unique opportunity for entities seeking and willing to deploy capital into cannabis businesses in the U.S. The U.S. cannabis market is currently comprised of 24 states, plus the District of Columbia, where cannabis is legal for adult use and 41 states, plus the District of Columbia, where cannabis is legal for medical use, representing a large addressable population. According to estimates published by Whitney Economics in March 2024, the country’s legal cannabis sales are expected to surpass \$31 billion in 2024. The Company expects sales to trend higher as a result of a continuation of medical and adult-use programs rolling out across states and other favorable regulatory momentum. Despite the changing political environment, many participants in the U.S. cannabis market continue to experience uncertain and constrained access to capital. Accordingly, the Company believes that, with the completion of the CGC Transaction, the Hawthorne Investments, and the Etain Acquisition, it is well-positioned with its strong balance sheet and existing expertise and knowledge of the U.S. cannabis landscape to continue to grow in the U.S. market.

New York

The state of New York’s medical cannabis program was introduced in July 2014 when former Governor Andrew Cuomo signed the Compassionate Care Act (the “**CCA**”), which legalized medical cannabis oils for patients with certain qualifying conditions.

On March 31, 2021, the New York legislature passed the Marijuana Regulation and Taxation Act (the “**MRTA**”), legalizing adult-use cannabis in the state of New York and establishing a regulatory framework for medical and adult-use cannabis and hemp. Under the MRTA, the CCA provisions were repealed and authority over medical cannabis was transferred from the New York State Department of Health (“**NYDOH**”) to the CCB and the OCM. On February 22, 2023, the OCM issued final regulations to govern medical cannabis, which replaced the previous medical regulations promulgated by the NYDOH. On July 19, 2023, the CCB approved proposed amendments to the medical regulations for public comment. The proposed amendments made changes to harmonize certain ownership provisions and packaging and labelling provisions between the adult-use regulations and the medical regulations. The proposed amendments completed the public comment process on January 8, 2024, and were adopted by the CCB without further changes on February 16, 2024.

On December 14, 2022, the CCB filed proposed regulations for the New York adult-use cannabis market, including the rules governing ROs’ (as defined herein) transition to the adult-use market. The public comment period on the proposed adult-use regulations closed on February 13, 2023, following which the CCB filed a revised version of the regulations on June 14, 2023. The public comment period on the revised adult-use regulations closed on July 31, 2023, and the finalized regulations were adopted by the CCB on September 12, 2023, effective as of September 27, 2023.

On October 4, 2023, the OCM began accepting adult-use applications from ROs for adult-use registered organization with dispensing (“**ROD**”) or registered organization without dispensing (“**ROND**”) license types. On December 8, 2023, the CCB approved six ROs to transition to ROD or ROND licenses.

Etain

Etain LLC is a vertically-integrated cannabis company operating in the state of New York. It was founded as a women- and family-owned company in 2015 and was one of the original five registered organizations (“**ROs**”) licensed to sell medical cannabis in New York State. On December 8, 2023, the CCB approved Etain LLC’s transition to an adult-use

operator. Etain LLC’s adult-use ROD license allows for the cultivation, processing, and dispensing of adult-use and medical cannabis products. As of the date of this MD&A, Etain LLC operates a cultivation and processing facility in Chestertown, New York, as well as four retail dispensaries in the state of New York. On February 14, 2024, Etain LLC relocated one of its medical dispensaries from Yonkers, New York, to White Plains, New York. The new White Plains dispensary is Etain’s first co-located adult-use and medical dispensary.

Cultivation and Production

Etain LLC currently operates a cannabis cultivation and production facility located in Chestertown, New York (the “**Chestertown Facility**”), a hamlet with approximately 700 residents in the Adirondack Mountains. Constructed in 2015, the original approximately 20,000 square foot facility is comprised of approximately 8,100 square feet of rooms dedicated for flowering and includes two smaller extraction labs and a larger production floor for the manufacture of Etain LLC’s portfolio of cannabis products (dried flower, pre-rolls, vaporizers, capsules, tinctures, powders, lozenges, lotions, and oral sprays).

In 2023, the Chestertown Facility completed a significant expansion (the “**Chestertown Expansion**”), adding more than 40,000 square feet of additional cultivation, lab, and manufacturing space, including approximately 28,800 square feet of additional flowering rooms spanning eight new hybrid greenhouse bays, as well as additional production space to address the anticipated demands of the adult-use market in New York. The Company is in the process of ramping up its productive capacity in the Chestertown Expansion, including commissioning new production machinery to enhance operational efficiencies.

On August 23, 2022, the Company entered into a lease agreement with Zephyr (the “**Zephyr Lease**”), a leading California-based developer, for the development and operation of a planned new flagship cannabis cultivation and production 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. On August 1, 2023, the Company announced that the OCM had reviewed and approved Etain’s request for the Flagship Facility, which will be subleased to Etain LLC upon substantial completion of the construction of the buildings. The initial term of the lease is for 15 years and is anticipated to commence upon substantial completion of construction of the buildings. As of the date of this MD&A, the exterior elements of the structure have been constructed and focus has shifted to the tenant improvements. See “*Commitments and Contingencies – Commitments – Flagship Facility*” below for additional information.

Retail

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

Summary of Etain Dispensaries			
Location	Address	Year Opened	Description
White Plains	75 Mamaroneck Ave, White Plains, New York	2024	The dispensary was opened in February 2024 and is Etain LLC’s first co-located adult-use and medical retail dispensary. The dispensary was relocated from Etain’s prior medical-only retail dispensary in Yonkers, New York, and services an area with an addressable population of approximately 1 million people within Westchester County.
Manhattan	242 E 58 th Street, New York, New York	2020	The dispensary is located in Manhattan near highly-trafficked New York landmarks and retail stores. The dispensary services an area with an addressable population of approximately 8 million people in Manhattan, Queens, Brooklyn, and the Bronx.
Kingston	445 Onteora Trail, NY-28, Kingston, New York	2016	The dispensary was the first medical cannabis dispensary to open in New York. It services an area with an addressable population of approximately 65,000 people in Ulster County, with a reach extending into surrounding counties.

Summary of Etain Dispensaries			
Location	Address	Year Opened	Description
Syracuse	2140 Erie Blvd E, Syracuse, New York	2016	The dispensary is located off of Interstate 690 and near high-traffic retail stores. It services an area with an addressable population of approximately 460,000 people in Onondaga County, with additional reach into surrounding counties.

Products and Brands

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

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

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

- 1:1 cannabidiol (“CBD”) to tetrahydrocannabinol (“THC”) ratio to maintain a relaxing foundation and build on the euphoria

Dolce: *“Find your center”*

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

Forte: *“More power to you”*

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

Mezzo: *“Zen with benefits”*

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

Liquidity Position

As referenced above, the current political and regulatory conditions regarding cannabis in the U.S. create significant constraints on the ability of cannabis operators, brands, and industry participants to access capital. Accordingly, the Company believes that it has a competitive advantage in respect of the liquidity on its balance sheet. Through the CGC Transaction (including the subsequent monetization of CGC common shares received as consideration) and the Hawthorne Investments, among other items, the Company was able to build a sizeable level of cash reserves.

While the Company plans to make substantial investments in Etain’s New York cannabis operations (including the development of the Flagship Facility in Western New York, the optimization of the Chestertown facility, and the enhancement of Etain LLC’s retail footprint), the Company aims to achieve its growth objectives in a capital efficient manner. The Company currently anticipates that completing the development of the Flagship Facility, optimizing operations at the Chestertown facility, enhancing Etain LLC’s retail footprint, and fully transitioning to serve both the wholesale and retail adult-use markets in New York will require capital expenditures and other investments in the range of \$40,000 to \$45,000 from calendar years 2024 to 2026. This estimated range has increased from estimates that were previously disclosed during calendar year 2023 primarily as a result of an increase in the projected capital costs associated with the construction of the Flagship Facility. This estimated range, which excludes net cash flows from operating and financing activities, is based upon a number of assumptions and will continue to be refined. Furthermore, the timing of these expenditures continues to be evaluated by the Company and is dependent upon a number of external and internal factors.

These projected capital expenditures include the special licensing fees that Etain LLC will be required to pay to the OCM in accordance with the regulations to operate in New York’s adult-use cannabis market and open additional co-located dispensaries. The Company’s estimates are based upon final regulations for New York’s adult-use cannabis market that were filed by the CCB on September 27, 2023. The final regulations prescribe that one-time fees related to an ROD’s transition to New York’s adult-use cannabis market (the “**Special License Fee**”) will be \$20,000 in total (exclusive of application and canopy fees), including: (i) \$5,000 payable when an RO receives its ROD license, (ii) \$5,000 payable within 180 days of opening its second co-located dispensary (ROs are permitted to co-locate a maximum of three retail facilities under the MRTA for medical and adult-use sales, with the first co-location now permitted upon receipt of its ROD license, and the remaining two stores no sooner than June 29, 2024), (iii) \$5,000 payable within 30 days of achieving \$100,000 in cumulative revenue from its ROD license, and (iv) \$5,000 payable

within 30 days of achieving \$200,000 in cumulative revenue from its ROD license. The balance of the \$20,000 Special License Fee must be paid by December 31, 2033, even if the triggering events above are not achieved, unless aggregate New York State cannabis retail and wholesale revenues are less than \$20 billion, in which case, the fee obligation sunsets. Under the adopted regulations, if an ROD license expires or is otherwise revoked, cancelled, or abandoned before December 31, 2033, the ROD must still pay the remainder of the Special Licensing Fee. On January 26, 2024, Etain LLC paid the first installment of \$5,000 in connection with the receipt of its ROD license.

Based on the foregoing, the Company believes that it has sufficient capital to execute its business plan in New York and deploy capital in different states throughout the U.S. cannabis market.

Other Investments

Prior to the closing of the CGC Transaction, the Company was a venture capital firm specializing in cannabis. The Company's business strategy was to create shareholder value through the continued deployment of strategic capital throughout the global cannabis sector. The Company identified strategic counterparties that were seeking financial and/or operating support, and aimed to provide investor returns through dividends and capital appreciation, while also generating interest, lease, and royalty income. Investments were made through a variety of financial structures (including common and preferred equity, debt, royalty, joint venture, and profit-sharing agreements, among others) in 20 companies, and in doing so, the Company established a diversified portfolio of investments.

In connection with its shift in investment strategy discussed herein, the Company has capitalized on certain monetization opportunities and streamlined its legacy portfolio. As of the date of this MD&A, the Company continues to have investments in the following companies (the "Investees"), among others described below:

Summary of Other Investments		
Company	Location of Operations	Business Description
BioLumic Inc. ("BioLumic")	New Zealand and U.S.	BioLumic is an agricultural biotech company that programs the genetic expression of plants through light in order to improve plant yield, quality, and health. The company's Light Treatment Platform has been deployed across 12 crops and leverages leading biological insights, genetic marker knowledge, and proprietary performance data. In cannabis, BioLumic has triggered large, defensible gains across a host of commercial strains and is introducing light treatments into existing grow light technology.
Headset, Inc. ("Headset")	Canada and U.S.	Headset is a market intelligence and analytics software platform for the cannabis industry. With services that provide access to information on sales trends, emerging industries, popular products, and pricing, Headset's proprietary software platform allows customers to use data to identify new areas of opportunity, understand the competition, and tailor product development. Headset has launched its Insights market intelligence product in multiple adult-use cannabis markets in the U.S. and in Canada, and its retail data intelligence tool in the U.S. and Canada.
ZeaKal, Inc. ("ZeaKal")	New Zealand and U.S.	ZeaKal, a California-based plant science company, is building a value-driven "NewType" of agriculture to harmonize the needs of farmers, consumers, and the planet. Its flagship plant trait technology, PhotoSeed™, helps crops capture more carbon and sunlight, leading to healthier, nutrient-rich food and feed grown on a smaller environmental footprint. The company goes beyond science to make affordable nutrition more sustainable, with marketable differentiation for growers. ZeaKal is currently developing its PhotoSeed™ technology for hemp, corn, and soybeans.

As of the date of this MD&A, the Company also has certain financial interests in other companies that are not included in the table above as nominal value is ascribed to these investments in the Company's consolidated statements of financial position. These investments include LeafLink Services International ULC ("LeafLink International"), which has suspended operations in Canada in light of ongoing limitations on the company's growth prospects (driven primarily by certain regulatory restrictions), and High Beauty, Inc.

Below is a summary of the Company's "Other investments" from its consolidated statements of financial position as at March 31, 2024. Please refer to Notes 10 and 23 of the Interim Consolidated Financial Statements for information relating to the Company's carrying values and fair value estimates for these financial instruments.

Summary of Other Investments⁽¹⁾				
Investee	Investment	Carrying Value as at Mar. 31, 2024	Number of Shares	Notes
BioLumic	Preferred shares	\$ 3,691	472,389	• Represents an approximate 8% basic and 7% fully-diluted equity interest
Headset	Preferred shares	\$ 1,921	2,126,901	• Represents an approximate 8% basic and 6% fully-diluted equity interest
ZeaKal	Preferred shares	\$ 7,163	248,446	• Represents an approximate 9% basic and 9% fully-diluted equity interest

(1) The information contained in this table excludes certain immaterial equity investments held by the Company as at March 31, 2024, in instances where the Company is not actively involved with the subject company and/or has not ascribed any value to its investment. Please refer to the Annual MD&A and the Annual Consolidated Financial Statements for additional information about these investments.

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

Operational and Regulatory Overview

RIV Capital and Etain LLC take all actions necessary to ensure that the Company's and Etain LLC's respective operations are in full compliance with all applicable provincial, state, and local laws, rules, regulations, and licensing requirements in the jurisdictions in which the Company and Etain LLC operate, respectively. Please refer to the section entitled "*Regulatory Framework*" below for additional information on the regulatory frameworks that are material to the Company's and Etain LLC's respective operations.

CORPORATE DEVELOPMENTS

On January 1, 2024, the Company completed a vertical short-form amalgamation with its wholly-owned subsidiary RCC pursuant to Section 177(1) of the *Business Corporations Act (Ontario)* and continued under the name "RIV Capital Inc."

U.S. Cannabis Platform

New York

On February 14, 2024, the Company announced that Etain LLC opened its first co-located adult-use and medical dispensary in White Plains, New York. In connection with the opening of the Company's first adult-use dispensary, the first Special License Fee payment of \$5,000 was made to the OCM on January 26, 2024.

Other Investments

During the three months ended March 31, 2024, there were no material developments related to the Company's legacy portfolio of minority investments. Please refer to the Company's historical public filings for additional details on the Company's investments prior to December 31, 2023.

Capital Activities

During the three months ended March 31, 2024, the Company did not raise capital through any debt or equity financings.

Share Capital

During the three months ended March 31, 2024, the number of common shares outstanding did not change.

RESULTS OF OPERATIONS

The following table sets forth summary operating results for the indicated periods:

Summary Operating Results⁽¹⁾		
	Three months ended (unaudited)	
	Mar. 31, 2024	Mar. 31, 2023
Revenue, net	\$ 2,138	\$ 1,728
Cost of goods sold	1,889	1,596
Gross profit excluding fair value items	249	132
Unrealized gain on changes in fair value of biological assets	353	82
Realized fair value amounts included in inventory sold	11	(2)
Gross profit	613	212
Operating expenses		
Selling, general, and administrative expenses	6,199	5,332
Operating loss	(5,586)	(5,120)
Other income (loss)		
Accretion and interest expense	(3,919)	(3,274)
Foreign exchange gain (loss)	1,298	(37)
Litigation settlement expense	-	(16,014)
Share of loss from associates	-	(659)
Impairment of associates	-	(207)
Net change in fair value of financial assets at FVTPL	-	(60)
Other income, net	685	814
Loss before taxes	(7,522)	(24,557)
Income tax recovery	(2,530)	(987)
Net loss	\$ (4,992)	\$ (23,570)
Other comprehensive loss not subsequently reclassified to net loss		
Net change in fair value of financial assets at FVTOCI, net of tax expense or recovery	(471)	(1,160)
Other comprehensive income subsequently reclassified to net loss		
Foreign currency translation adjustment	835	32
Total comprehensive loss	\$ (4,628)	\$ (24,698)
Net loss per share – basic	\$ (0.04)	\$ (0.15)
Net loss per share – diluted	\$ (0.04)	\$ (0.15)

Review of Operating Results for the Three Months ended March 31, 2024

As noted above, during the nine months ended December 31, 2023, the Company changed its fiscal year end from March 31 to December 31. Accordingly, the Interim Consolidated Financial Statements are prepared for the three-month period from January 1, 2024, to March 31, 2024, and as a result, the comparative figures are for the same period in 2023.

Revenue, Net

The Company reported net revenue of \$2,138 for the three months ended March 31, 2024, compared with \$1,728 for the same period last year. Retail revenue of \$2,105 was generated for the three months ended March 31, 2024, through Etain LLC's co-located adult-use and medical retail dispensary in White Plains and its medical retail dispensaries in Manhattan, Kingston, and Syracuse, compared with \$1,552 for the same period last year from medical dispensaries only. Wholesale revenue of \$95 was generated from sales of Etain-branded adult-use and medical cannabis products to adult-use wholesale customers and other RO's for the three months ended March 31, 2024, compared with \$231 for the same period last year. The Company reported excise and potency-based taxes of \$112 for the three months ended March 31, 2024, compared with excise taxes of \$109 for the same period last year. The increase in net revenue relative to the comparative period was primarily attributable to Etain LLC's commencement of adult-use retail sales at its co-located adult-use and medical retail dispensary in White Plains.

Gross Profit

Gross profit is determined as revenue (net of excise and potency-based taxes), less the following items: cost of goods sold, unrealized gains or losses on changes in fair value of biological assets, and realized fair value amounts included in inventory sold. Fair value changes that are included in gross profit are sensitive to changes in the Company's valuation estimates, which include, but are not limited to, estimated plant lifecycles and stage of growth, expected yields, remaining costs to complete (including harvesting costs and selling costs), average expected selling prices, product mix, and the method of allocation of cultivation and production costs. Changes in these underlying estimates and assumptions could have a material impact on the Company's financial results. Please refer to Notes 3, 5, and 6 in the Interim Consolidated Financial Statements for additional information

The Company reported cost of goods sold (which excludes unrealized fair value changes included in biological assets and realized fair value changes included in inventory sold) of \$1,889 for the three months ended March 31, 2024, compared with \$1,596 for the same period last year. The increase in cost of goods sold relative to the comparative period was attributable to several factors, including the increase in the Company's revenue base, the impact of the greater scale of operations at the Chestertown Facility, and an increase in the Company's inventory reserve.

Based on the foregoing, the Company reported a gross profit (excluding fair value items) of \$249 for the three months ended March 31, 2024, compared with \$132 for the same period last year.

The Company reported an unrealized gain on changes in fair value of biological assets of \$353 and a fair value gain included in inventory sold of \$11 for the three months ended March 31, 2024, compared with an unrealized gain on changes in fair value of biological assets of \$82 and a fair value loss included in inventory sold of \$2 for the same period last year. The increase in unrealized gain on changes in fair value of biological assets during the three months ended March 31, 2024, was primarily attributable to an increase in average plant yields and, correspondingly, lower cultivation costs on a per gram basis, partially offset by a reduction in the estimated selling price for bulk flower.

Based on the foregoing, the Company reported a gross profit of \$613 for the three months ended March 31, 2024, compared with \$212 for the same period last year.

Operating Expenses

Selling, General, and Administrative ("SG&A") Expenses

The Company reported SG&A expenses of \$6,199 for the three months ended March 31, 2024, compared with \$5,332 for the same period last year.

SG&A expenses for the three months ended March 31, 2024 and 2023 included the following:

SG&A Expenses		
	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Personnel costs (excluding share-based compensation)	\$ 2,295	\$ 1,804
Legal expenses and advisory fees (excluding transaction advisory)	385	771
Insurance premiums	253	636
Non-inventoriable depreciation and amortization of fixed and intangible assets	252	183
Director fees (excluding share-based compensation)	241	120
Selling and marketing expenses	208	104
Non-inventoriable right-of-use asset amortization	206	151
Severance expense	112	131
Non-inventoriable lease expenses	78	52
Audit-related fees	77	243
Investor relations and other public company expenses	70	166
Share-based compensation	54	136
Transaction advisory expenses	1,656	47
Other	312	788
Total SG&A expenses	\$ 6,199	\$ 5,332

The changes in the Company's reported SG&A expenses for the three months ended March 31, 2024, relative to the same period last year were attributable to the following factors:

- The increase in personnel costs was primarily attributable to the Company's increased headcount required to scale Etain's operations for growth in the New York adult-use cannabis market.
- The decrease in legal expenses and advisory fees (excluding transaction advisory) was partially attributable to litigation fees that were recognized during the comparative period in connection with the settlement agreement with JW Asset Management, LLC, as well as legal and tax advisory fees that were recognized during the comparative period related to the Company's annual financial filings for the fiscal and tax year ended March 31, 2023, prior to the Company changing its year-end from March 31 to December 31.
- The decrease in insurance premiums was primarily attributable to the achievement of more favorable pricing by the Company.
- The increase in non-inventoriable depreciation and amortization of fixed and intangible assets was primarily attributable to an increased asset base for depreciation and amortization as a result of investing activities following the comparative period end, including the amortization of the Special License Fee. Depreciation and amortization expense of \$545 was capitalized to inventory and biological assets during the three months ended March 31, 2024, compared with \$168 for the three months ended March 31, 2023.
- The increase in director fees was primarily attributable to an increase in the relative amount of total director compensation that was paid in cash versus equity (to avoid shareholder dilution, given the Company's prevailing stock price).
- The increase in selling and marketing expenses was primarily attributable to an increase in marketing activities in conjunction with the commencement of adult-use sales.
- The increase in non-inventoriable right-of-use asset amortization expense was primarily attributable to the addition of the Armonk office and White Plains dispensary finance leases. Lease-related expenses of \$276 were capitalized to inventory and biological assets during the three months ended March 31, 2024, compared with \$375 for the three months ended March 31, 2023.
- Severance expense is impacted by the number of recipients and their former roles with the Company.
- The decrease in audit-related fees was primarily attributable to a lower estimated fee associated with the Company's audit for its current fiscal year relative to the fiscal year ended March 31, 2023.

- The decrease in investor relations and other public company expenses was primarily attributable to proxy advisory and other fees that were recognized during the comparative period.
- The decrease in share-based compensation expense is a result of a decrease in outstanding unvested instruments, including as a result of the shift in non-employee director compensation from equity to cash as a result of the Company's depressed share price.
- The increase in transaction expenses was primarily attributable to legal and tax advisory fees recognized in respect of the Company's ongoing M&A strategy.

Operating Loss

Based on the foregoing, the Company reported an operating loss of \$5,586 for the three months ended March 31, 2024, compared with an operating loss of \$5,120 for the same period last year.

Other Income (Loss)

The Company reported other loss of \$1,936 for the three months ended March 31, 2024, compared with other loss of \$19,437 for the same period last year. The following factors contributed to the Company's reported results:

- Accretion and interest expense was \$3,919 for the three months ended March 31, 2024, compared with \$3,274 for the same period last year. The increase in accretion expense for the three months ended March 31, 2024, relative to the comparative period was partially attributable to accretion expense recognized for the provision liability related to the Special License Fee.
- Foreign exchange gain was \$1,298 for the three months ended March 31, 2024, compared with foreign exchange loss of \$37 for the same period last year. The foreign exchange movements were primarily attributable to foreign-denominated cash deposits held by the Company and certain of its subsidiaries.
- There were no amounts recognized for the three months ended March 31, 2024, related to litigation settlement expense, share of loss from associates, impairment of associates, and net change in fair value of financial assets at fair value through profit or loss ("FVTPL"). Together, these items represented \$16,940 of other loss for the comparative period. Please refer to Notes 9, 10, 18, and 23 in the Interim Consolidated Financial Statements for additional information on these items.

Income Tax Recovery

The Company reported an income tax recovery of \$2,530 for the three months ended March 31, 2024, compared with an income tax recovery of \$987 for the same period last year. Income tax recovery was largely driven by deferred income tax recovery in certain of the Company's U.S. and Canadian entities as a result of the reversal of temporary differences on the Convertible Notes and brand and cannabis license rights intangible assets, offset partially by current income tax expense in certain of the Company's U.S. entities.

Net Loss

Based on the foregoing, the Company reported a net loss of \$4,992 and basic and diluted earnings per share ("EPS") of \$(0.04) for the three months ended March 31, 2024, compared with a net loss of \$23,570 and basic and diluted EPS of \$(0.15) for the same period last year. The litigation settlement expense recognized in the comparative period had the most significant impact on changes in net loss between the two periods.

Other Comprehensive Income (Loss)

The Company reported other comprehensive income of \$364 for the three months ended March 31, 2024, compared with other comprehensive loss of \$1,128 for the same period last year.

- The net change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI") (net of tax expense or recovery) was a decrease of \$471 for the three months ended March 31, 2024, compared with a decrease of \$1,160 for the same period last year. Please refer to Notes 10 and 23 in the Interim Consolidated Financial Statements for additional information on the Company's other investments.
- The Company also reported an upward adjustment as a result of foreign currency translation of \$835 for the three months ended March 31, 2024, compared with an upward adjustment of \$32 for the same period last year.

Total Comprehensive Loss

Based on the foregoing, the Company reported a total comprehensive loss of \$4,628 for the three months ended March 31, 2024, compared with a total comprehensive loss of \$24,698 for the same period last year.

Summary of Quarterly Financial Information

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

Summary Operating Results for the Three Months Ended								
	Mar. 31, 2024	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022
Revenue, net	\$ 2,138	\$ 2,065	\$ 1,697	\$ 1,786	\$ 1,728	\$ 1,885	\$ 1,853	\$ 1,341
Cost of goods sold	1,889	1,542	1,851	1,591	1,596	1,087	906	783
Fair value items	364	(1,097)	205	198	80	(15)	(58)	(36)
Gross profit (loss)	613	(574)	51	393	212	783	889	522
SG&A	6,199	5,524	4,804	5,306	5,332	4,801	4,840	5,529
Impairment	-	48,650	-	-	-	-	138,937	-
Operating loss	(5,586)	(54,748)	(4,753)	(4,913)	(5,120)	(4,018)	(142,888)	(5,007)
Other income (loss)	(1,936)	(6,784)	(3,785)	(4,289)	(19,437)	(6,305)	(1,557)	2,157
Loss before taxes	(7,522)	(61,532)	(8,538)	(9,202)	(24,557)	(10,323)	(144,445)	(2,850)
Income tax expense (recovery)	(2,530)	(14,216)	(1,152)	(60)	(987)	(432)	(2,121)	624
Net loss	\$ (4,992)	\$ (47,316)	\$ (7,386)	\$ (9,142)	\$ (23,570)	\$ (9,891)	\$ (142,324)	\$ (3,474)
Other comprehensive income (loss)	364	(3,018)	732	(598)	(1,128)	(2,774)	390	(4,549)
Total comprehensive loss	\$ (4,628)	\$ (50,334)	\$ (6,654)	\$ (9,740)	\$ (24,698)	\$ (12,665)	\$ (141,934)	\$ (8,023)
Basic EPS	\$ (0.04)	\$ (0.35)	\$ (0.05)	\$ (0.07)	\$ (0.15)	\$ (0.06)	\$ (0.84)	\$ (0.02)
Diluted EPS	\$ (0.04)	\$ (0.35)	\$ (0.05)	\$ (0.07)	\$ (0.15)	\$ (0.06)	\$ (0.84)	\$ (0.02)

LIQUIDITY, FINANCING, AND CAPITAL RESOURCES

The following table sets forth summary cash flow and financial position data for the indicated periods:

Summary Cash Flows and Financial Position Data		
	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Net cash flows from operating activities	\$ (4,496)	\$ (20,733)
Net cash flows from investing activities	(10,691)	(22,582)
Net cash flows from financing activities	(679)	(4,544)
Net decrease in cash⁽¹⁾	\$ (15,866)	\$ (47,859)
Effect of foreign exchange rate movements on cash held	(160)	(274)
Cash, beginning of fiscal period	81,887	125,601
Cash, end of fiscal period⁽¹⁾	\$ 65,861	\$ 77,468
	As at Mar. 31, 2024	As at Dec. 31, 2023
Current assets	\$ 83,754	\$ 98,246
Non-current assets	121,468	120,831
Total assets	\$ 205,222	\$ 219,077
Current liabilities	\$ 11,981	\$ 19,603
Non-current liabilities	155,715	157,353
Total liabilities	\$ 167,696	\$ 176,956
Total shareholders' equity	\$ 37,526	\$ 42,121

(1) During the three months ended March 31, 2023, the Company invested \$20,392 of surplus cash in instruments with a maturity of greater than three months, which was classified separate from "Cash and cash equivalents" in the Company's consolidated statements of financial position as at March 31, 2023. During the nine months ended December 31, 2023, these investments matured and were reclassified to "Cash and cash equivalents" upon reinvestment in term deposits with a maturity of less than three months.

Net cash flows from operating activities

Net cash used in operating activities was \$4,496 for the three months ended March 31, 2024, compared with net cash used of \$20,733 for the three months ended March 31, 2023. Net loss for the three months ended March 31, 2024, and the three months ended March 31, 2023, was \$4,992 and \$23,570, respectively, and included numerous non-cash items, which are reflected in the Company's unaudited condensed interim consolidated statements of cash flows in the Interim Consolidated Financial Statements.

Net cash flows from investing activities

Net cash used in investing activities was \$10,691 for the three months ended March 31, 2024, compared with net cash used of \$22,582 for the three months ended March 31, 2023. For the three months ended March 31, 2024, net cash used in investing activities was primarily attributable to the payment of the initial tranche for the Special License Fee of \$5,000, as well as payments for Excess Project Costs (as defined herein and discussed below) of \$4,181 related to the Flagship Facility. For the three months ended March 31, 2023, net cash used in investing activities was primarily attributable to the surplus cash invested in instruments with a maturity of greater than three months.

Net cash flows from financing activities

Net cash used in financing activities was \$679 for the three months ended March 31, 2024, compared with net cash used of \$4,544 for the three months ended March 31, 2023. For the three months ended March 31, 2024, net cash used in financing activities was primarily attributable to lease payments. For the three months ended March 31, 2023, net cash used in financing activities was primarily attributable to the repurchase of Common Shares pursuant to the JWAM settlement agreement.

Commitments and Contingencies

Financial Obligations

As at March 31, 2024, the Company had the following financial obligations on an undiscounted basis:

	Total	< 1 Year	1 to 3 Years	4 to 5 Years	> 5 Years
Accounts payable and accrued liabilities	\$ 5,768	\$ 5,768	\$ -	\$ -	\$ -
Lease liability ⁽¹⁾	22,368	2,774	5,556	4,513	9,525
Tenant Cost Contributions ⁽²⁾	2,240	2,240	-	-	-
Convertible Notes ⁽³⁾	168,850	-	-	168,850	-
Total financial obligations	\$ 199,226	\$ 10,782	\$ 5,556	\$ 173,363	\$ 9,525

- (1) Based on minimum lease payments related to the Company's cultivation and production facility in Chestertown, New York; three operational medical cannabis retail dispensaries in New York; one operational co-located adult-use and medical cannabis retail dispensary in White Plains, New York; one vacated retail space in Yonkers, New York; and corporate offices in Toronto, Ontario, and Armonk, New York. Excludes Flagship Facility as the recognition criteria for that finance lease had not been met as at March 31, 2024. Please see Note 11 in the Interim Consolidated Financial Statements for additional details.
- (2) Based on contractual capital contributions for the Flagship Facility. Please see Note 11 in the Interim Consolidated Financial Statements for additional details.
- (3) Assumes the principal balance as at March 31, 2024, remains outstanding at the maturity date. Includes the estimated accrued and unpaid interest over the life of the Convertible Notes. As the Convertible Notes are denominated in Canadian dollars, the borrower's functional currency, the commitment has been translated into the Company's presentation currency as at March 31, 2024. Please see Note 13 in the Interim Consolidated Financial Statements for additional details.

The table above, which relates to the Company's financial obligations that are of determinable timing and amount, does not include the remaining payments for the Special License Fee discussed in Note 12 in the Interim Consolidated Financial Statements and certain remaining payments for the Excess Project Costs, as the timing and/or amount for these items is only an estimate as at March 31, 2024. The remaining payments for the Special License Fee are estimated to be payable as follows: \$5,000 in early 2025, \$5,000 in late 2025, and \$5,000 in 2026. The remaining payments for the Excess Project Costs (beyond what is already reflected in "Accounts payable and accrued liabilities") are estimated to be \$6,562 and are estimated to be payable over the next 12 months.

Commitments

Flagship Facility

Prior to the commencement of the Zephyr Lease, the Company is required to make installment payments totaling \$4,484 (the "**Tenant Cost Contributions**") to assist in funding the construction of the Flagship Facility. As at March 31, 2024, the Company had made cumulative Tenant Cost Contributions of \$2,244, of which \$11 was made during the three months ended March 31, 2024. The Tenant Cost Contributions have been recorded within "Other long-term assets" in the unaudited condensed interim consolidated statements of financial position and will be added to the right-of-use asset when recognized upon commencement of the Zephyr Lease. Upon commencement of the Zephyr Lease, the Company will recognize a right-of-use asset and lease liability measured in accordance with *IFRS 16, Leases*.

Pursuant to the Company's lease agreement related to the Flagship Facility, total project cost overruns above the original construction budget for the development of the Flagship Facility are borne solely by the Company as lessee, and are payable in installments over the remainder of the construction project once such overruns are determined (the "**Excess Project Costs**"). As at March 31, 2024, total Excess Project Costs were estimated to be \$10,743.

As at March 31, 2024, the Company had made cumulative payments for Excess Project Costs of \$4,181, of which \$4,181 were made during the three months ended March 31, 2024. The payments made during the three months ended March 31, 2024, included settlement of \$3,015 that was recorded within "Accounts payable and accrued liabilities" in the audited consolidated statements of financial position as at December 31, 2023.

As at March 31, 2024, the Company had not recognized a liability in the unaudited condensed interim consolidated statements of financial position related to the Excess Project Costs.

Pursuant to the terms of the lease agreement, once there is a new estimate of Excess Project Costs and the parties are able to calculate the percentage of total project costs represented by the new estimate of Excess Project Costs,

the Company is required to make a retroactive payment to the landlord equal to that percentage applied to actual project costs incurred to date (less any amounts previously paid for Excess Project Costs). Going forward, as project costs are incurred, the Company will be required to fund a percentage of such project costs based on the then-current estimate of Excess Project Costs as a percentage of the then-current estimate of total project costs. Accordingly, as construction work progresses, the Company expects to recognize liabilities for the remaining \$6,562 of Excess Project Costs. The Company's payments related to Excess Project Costs are in addition to the Tenant Cost Contributions described above.

Off-Balance Sheet Arrangements

As at March 31, 2024, the Company had no off-balance sheet arrangements.

Other

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

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

During the three months ended March 31, 2024, the Company financed its operations and current liquidity position primarily through consideration received pursuant to the CGC Transaction (including the subsequent sale of the CGC common shares received as consideration). As noted above, the Company utilized the proceeds received from the Hawthorne Investments to finance the cash portion of the consideration payable pursuant to the Etain Acquisition. As at March 31, 2024, working capital (calculated as the difference between the Company's current assets and current liabilities in its unaudited condensed interim consolidated statements of financial position) was approximately \$71,773, primarily attributable to the Company's cash balance of \$65,861.

The Company believes that it has sufficient liquidity and capital resources to finance working capital for at least the next twelve months. Furthermore, if required, the Company believes that it may be able to further strengthen its financial position with future equity or debt financings, the divestment of certain investments, or other liquidity events. The Company believes that it currently has enough cash available to achieve its current business plans and objectives, including those described under "Description of Business, Industry, and Strategy – U.S. Cannabis Platform – Liquidity Position".

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

In the future, the Company may face certain liquidity risks if it is unable to: i) generate sufficient cash to fund its ongoing requirements and obligations; and ii) raise funds through equity or debt to account for its commitments. Ongoing capital markets, global economic, and general cannabis industry conditions may impact the ability of the Company to obtain equity, debt, or other suitable financing on favorable terms or at all. Furthermore, given the constraints on transaction activity, impact on valuations, and general business challenges caused by the COVID-19 pandemic and other events impacting the capital markets, global economic, and general cannabis industry conditions, the Company may not be able to realize successful monetization events involving its economic interests in the Investees. There can be no assurance that the Company will be able to generate sufficient positive net cash flow to achieve its business plans and objectives.

The Company's principal capital needs relate to the following business plans and objectives: completing expansion and development activities relating to Etain LLC's cultivation, production, and retail dispensary operations, including relating to the Company's commitments pursuant to the Zephyr Lease; paying the remaining amounts for the Special License Fee associated with transitioning Etain LLC's operations to be able to serve the adult-use wholesale and retail markets in New York; enhancing the Company's competitive positioning in the U.S. through transactions with industry-leading

brands and operators; deploying capital towards new cannabis opportunities in the U.S. and internationally; and satisfying working capital requirements for Etain's business and operations, and the Company's general corporate functions, as well as for general corporate purposes.

As at March 31, 2024, the Company did not have any contractual commitments to its Investees. However, the Company anticipates that certain Investees will require additional capital in order to achieve their business objectives and/or to sustain their operations. Accordingly, the Company may invest in additional financing rounds pursuant to pre-emptive rights granted to the Company by certain Investees. The amount of such investments will depend upon a host of factors, including, but not limited to, the following: the Company's assessment of the Investee's needs and uses for such capital; the Company's current liquidity and existing cash requirements at the time; and the Company's portfolio of investments and investment opportunities.

TRANSACTIONS WITH RELATED PARTIES

Key Management Personnel

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board. Together, these individuals controlled approximately 1.3% of the issued and outstanding Common Shares on a fully diluted basis as at March 31, 2024.

Compensation provided to key management personnel includes executive salaries and bonuses, director fees (excluding special committee fees and share-based compensation), special committee fees, and share-based compensation. The following table presents a summary of compensation provided to key management personnel:

Key management personnel		
	Three months ended Mar. 31, 2024	Three months ended Mar. 31, 2023
Executive management		
Salaries and accrued bonuses	\$ 514	\$ 626
Share-based compensation expense (recapture)	30	(8)
Board		
Director fees ⁽¹⁾	\$ 219	\$ 119
Special committee fees	22	-
Share-based compensation	4	103

(1) 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

The accrued and unpaid interest under the Convertible Notes is subject to the Income Tax Act non-resident thin capitalization tax rules. Accordingly, as at March 31, 2024, the Company had recognized an accrued liability of \$6 for the anticipated withholding tax that will be payable to the Canada Revenue Agency in respect of accrued and unpaid interest on the Convertible Notes for the three months ended March 31, 2024. 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 March 31, 2024, the Company had recognized a related party receivable from The Hawthorne Collective of \$2.

During the three months ended March 31, 2024, the Company purchased cultivation materials, supplies, and equipment for \$85 from Hawthorne Hydroponics, an affiliate of The Hawthorne Collective, for its Chestertown Facility. The purchases were made on market terms. The Company anticipates making additional cultivation materials, supplies, and equipment purchases from affiliates of The Hawthorne Collective as part of its ongoing operation and 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 months ended March 31, 2024, the Company recognized lease payments of \$654 to KDBF, the owner of the Chestertown Facility and two of Etain's retail dispensaries in New York. The lease agreements between the Company and KDBF were negotiated at market terms.

SUBSEQUENT EVENTS

Developments since March 31, 2024

On April 20, 2024, Governor Kathy Hochul signed legislation enacting New York State's fiscal year 2025 budget. The budget included several changes to New York's cannabis program, including the following:

- reduced the medical excise tax from 7.00% to 3.15%;
- repealed the state's complex potency-based tax and replaced it with a 9.0% distribution tax, which is applied to the distributor when selling products to licensed cannabis retailers and is levied on 75.0% of the final retail price for vertical operators in respect of retail sales of their own products;
- authorized localities to padlock illicit storefronts immediately following an inspection if they are selling illicit cannabis and pose an imminent threat to health and safety;
- authorized additional penalties for illicit operators, including the potential loss of alcohol, tobacco, and lottery licenses;
- authorized fines against landlords equal to five times the rent amount (subject to certain caps) from the time the landlord receives notice of illicit activity to the date the unlicensed activity is abated; and
- introduced the launch of a statewide task force to carry out civil enforcement to close illegal stores.

Please also see the discussion on President Biden's rescheduling review as set forth under the heading “Cannabis Regulatory Framework – United States (Federal-Level)” below.

Cansortium Arrangement Agreement

On May 30, 2024, the Company and Cansortium Inc. (“**Cansortium**”) announced that they had entered into a definitive arrangement agreement (the “**Cansortium Arrangement Agreement**”) pursuant to which Cansortium will acquire all of the issued and outstanding Common Shares in exchange for common shares of Cansortium (the “**Cansortium Shares**”) (the “**Proposed Transaction**”).

Under the terms of the Cansortium Arrangement Agreement, RIV Capital shareholders (“**RIV Capital Shareholders**”) will receive 1.245 Cansortium Shares in exchange for each Common Share held. Furthermore, subject to the approval of shareholders of Cansortium (“**Cansortium Shareholders**”), Cansortium will create a new class of non-voting exchangeable shares (the “**Exchangeable Shares**”) that would be convertible into Cansortium Shares on a one-for-one basis, and The Hawthorne Collective will receive Exchangeable Shares in exchange for the Convertible Notes.

Upon closing of the Proposed Transaction, on a fully diluted basis, Cansortium Shareholders are expected to hold approximately 51.25% of the combined business of Cansortium and RIV Capital (the “**Combined Company**”), and RIV Capital Shareholders and The Hawthorne Collective, together, are expected to hold approximately 48.75% of the Combined Company. Excluding the Exchangeable Shares, Cansortium Shareholders are expected to hold approximately 66.5% of the Combined Company and RIV Capital Shareholders are expected to hold approximately 33.5% of the Combined Company.

The Proposed Transaction will require the approval of at least two-thirds of the votes cast by RIV Capital Shareholders voting at an annual general and special meeting of shareholders to consider the Proposed Transaction, which is expected to be held in the third quarter of 2024. Certain of RIV Capital's directors and officers and a significant shareholder holding an aggregate of approximately 20.2% of the Common Shares have entered into voting support agreements with Cansortium to, among other things, vote in favor of the Proposed Transaction.

Closing of the Proposed Transaction is subject to the receipt of all required court, shareholder, regulatory, and other third-party approvals, the requirement for RIV Capital to maintain a certain minimum cash balance as of a specified date prior to closing, and the satisfaction of certain other closing conditions customary in transactions of this nature, which are expected to be completed during the fourth quarter of 2024.

In connection with the Proposed Transaction, the Company has agreed to advance to Cansortium an interest-bearing bridge loan up to an aggregate principal amount of \$8,975 (the “**Bridge Loan**”). In consideration, Cansortium has agreed to issue an unsecured convertible promissory note (the “**Bridge Note**”) to and in favor of the Company

evidencing the Bridge Loan, which will bear interest at a rate of 10.0% per annum and will mature, if not earlier converted or prepaid in accordance with its terms, on May 1, 2025. In connection with the signing of the Consortium Arrangement Agreement, the Company will make an initial advance to Consortium under the Bridge Loan in the amount of \$3,000 on May 30, 2024.

OUTSTANDING SHARE DATA

The Company has one class of shares outstanding (the Common Shares). The Company is authorized to issue an unlimited number of Common Shares.

The following table summarizes the Company's issued and outstanding securities:

Issued and outstanding securities		
	As at Mar. 31, 2024	As at May 30, 2024
Common Shares	136,170,638	136,305,199
Convertible Notes ⁽¹⁾	122,947,306	122,947,306
Stock Options	2,351,500	2,261,500
RSUs	550,249	415,688
PSUs	1,123,108	1,063,108
DSUs	273,175	273,175

(1) Includes the principal and full amount of the anticipated accrued interest over the term of Convertible Note I and Convertible Note II under the assumption that conversion does not occur prior to interest being fully accrued on both Convertible Notes.

Convertible Note I and Convertible Note II held by The Hawthorne Collective are both outstanding as of the date of this MD&A and are convertible into Common Shares at a conversion price of C\$1.90 per Common Share and C\$1.65 per Common Share, respectively. Please refer to "*Company Overview – Etain Acquisition and the Second Hawthorne Investment*" below and Note 13 in the Interim Consolidated Financial Statements for additional information, as applicable, regarding the Hawthorne Investments.

As described in Note 14 in the Interim Financial Statements, as at March 31, 2024, the following dilutive securities were outstanding:

- Stock options exercisable pursuant to the Company's long-term incentive plan and legacy option plan, with a weighted average exercise price of C\$1.15 per share;
- Restricted Share Units ("**RSUs**") redeemable pursuant to the Company's share unit plan for non-employee directors;
- Performance Share Units ("**PSUs**") redeemable pursuant to the Company's long-term incentive plan. The number of granted PSUs eligible to vest may be adjusted upwards based on the increase, if any, in the Common Share price between the grant date and the vesting date, subject to a maximum adjustment of 100%; and
- Deferred Share Units ("**DSUs**") redeemable pursuant to the Company's share unit plan for non-employee directors.

OTHER INFORMATION

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

The Company is subject to risks and uncertainties that could significantly affect its future performance, including, but not limited to, changes to the regulatory environment for the cannabis industry, changes to the business environment for the cannabis industry, and risks and uncertainties posed by the performance and management of the Investees. Please refer to the section entitled "Risk Factors" in the Annual MD&A for information regarding the risks and uncertainties that could have a negative effect on the Company's future performance.

CHANGES IN MATERIAL ACCOUNTING POLICY INFORMATION

Except as described below, the accounting policies applied in the Interim Consolidated Financial Statements are consistent with those applied in the Annual Consolidated Financial Statements and have been applied across all periods presented in the Interim Consolidated Financial Statements.

Changes in previously applicable accounting policies or newly applicable accounting policies

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).

The Company recognizes revenue from the sale of cannabis in both the medical and adult-use New York cannabis markets, to both retail and wholesale customers. Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods has 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 retail customer at either its medical or adult-use co-located cannabis dispensaries, or delivery to a medical or adult-use wholesale customer. Revenue is presented net of discounts and sales tax (if applicable).

Local authorities will often impose special taxes on the sale or production of cannabis products. In the medical cannabis market in New York, local authorities impose an excise tax on the sale of medical cannabis products to retail customers. 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. In the adult-use cannabis market in New York, local authorities impose a potency-based tax on the production of adult-use cannabis products; the calculation of potency tax is applied across the various flower, concentrate, and edible cannabis formats and is payable when a cannabis company sells internally-produced products to retail or wholesale customers.

The medical excise tax and adult-use potency tax are borne by the Company and are not taxes on the patient or customer. As such, medical excise tax and adult-use potency-based tax are included in revenue. The subtotal “Total revenue, net” in the unaudited condensed interim consolidated statements of loss and comprehensive loss represents the Company’s revenue as defined by IFRS, less the medical excise taxes and adult-use potency-based taxes.

The Company also 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, or the points expire.

Accounting standards and amendments issued and adopted

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*. The amendments address inconsistencies with how entities classify current and non-current liabilities. The amendments serve to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the statements of financial position. The amendments are effective on January 1, 2024. The Company's adoption of the IAS 1 amendment did not have a material impact on the Interim Financial Statements.

Certain other new accounting standards, amendments, and interpretations have been published that are effective in the current period and are either not applicable to the Company or have been assessed by the Company and do not have a material impact on results.

Accounting standards and amendments issued but not yet adopted

Certain other new amendments and interpretations have been published that are effective in future annual reporting periods that are either not reasonably expected to be relevant for the Company or are not anticipated to have a material impact on results. The Company intends to adopt these standards when they become effective.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Consolidated Financial Statements in accordance with IFRS requires management to make estimates, judgements, 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Consolidated Financial Statements, have not materially changed from those disclosed in the notes to the Annual Consolidated Financial Statements, unless as otherwise noted herein.

DISCLOSURE AND INTERNAL CONTROLS

Management has established processes, which are in place to provide sufficient knowledge to support management representations that they have exercised reasonable diligence that: (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Interim Consolidated Financial Statements; and (ii) the Interim Consolidated Financial Statements fairly present in all material respects the financial condition, results of operations, and cash flows of the Company, as of the date of and for the periods presented by the Interim Consolidated Financial Statements.

Management of the Company has separately filed on SEDAR+ the *Form 52-109FV2 Certification of Interim Filings Venture Issuer Basic Certificates* at the same time as having filed the Interim Consolidated Financial Statements and this MD&A. In contrast to the certificate required under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the venture issuer certificate on Form 52-109FV2 does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the certificates are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that the information required to be disclosed by the issuer in its annual filings, interim filings, or other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

Please refer to Notes 10 and 23 in the Interim Consolidated Financial Statements for additional information on the Company's financial instruments and the related fair value estimates and disclosures.

Financial Risk Management

The Company's activities expose it to a variety of financial risks, including market risk (i.e. general market risk, foreign currency risk, and interest rate risk), regulatory risk, credit risk, and liquidity risk. Please refer to the section entitled "Risk Factors" in the Annual MD&A for additional information regarding these risks.

Market risk

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

General market risk

The Company holds (and has held) financial assets in the form of investments in shares and other convertible securities that are measured at fair value and recorded through either net income (or loss) or other comprehensive income (or loss). The Company is exposed to price risk on these financial assets, which is the risk of variability in fair value due to movements in equity or market prices. Information regarding the fair value of financial instruments that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value, are presented in Note 23 of the Interim Consolidated Financial Statements.

Foreign currency risk

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(f) in the Interim Consolidated Financial Statements. The Company and certain subsidiaries hold cash and cash equivalents in both U.S. dollars and Canadian dollars, incur operating expenses in both U.S. dollars and Canadian dollars, and measure the fair value of certain other investments in Canadian dollars. While the Convertible Notes with The Hawthorne Collective are denominated in Canadian dollars, the proceeds were received by the Company in U.S. dollars, and the Company can repay the Convertible Notes upon maturity in U.S. dollars.

The Company does not currently engage in currency hedging activities to limit the risks of currency fluctuations. Consequently, fluctuations in 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 \$564. 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 \$564. 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.

Interest rate risk

Interest rate risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument to which the Company is party will fluctuate because of changes in interest rates. The Company's exposure to interest rate risk is primarily limited to funding arrangements whereby the Company has committed to invest funds in the form of convertible or repayable debentures, notes, loans, or other debt instruments with variable interest rates, if any, or

where the Company has borrowed funds in the form of convertible or repayable debentures, notes, loans, or other debt instruments with variable interest rates, if any. The Company's policy is to minimize cash flow exposure to interest rate risks on long-term financing.

As at March 31, 2024, the Company is not directly party to any arrangement involving variable interest rates. The Convertible Notes carry a fixed interest rate for the first two years of approximately 2.0% and are thus not affected by changes in market interest rates. Please refer to Note 13 in the Interim Consolidated Financial Statements for additional information about the relationship between the liability and equity components of the Convertible Notes.

The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at March 31, 2024, the Company held \$64,275 in interest-earning term deposits with a maturity of 90 days or less that can be accessed at any time without penalty.

Regulatory Risk

Regulatory risk pertains to the risk that the Company's business objectives are contingent, in part, upon compliance with regulatory requirements. Due to the nature of the industry, the Company recognizes that regulatory requirements are more stringent and punitive in nature than most other sectors of the economy. Any delays in obtaining, or failure to obtain, regulatory approvals could significantly delay operational and product development and could have a material adverse effect on the Company's business, results of operations, and financial condition. The Company is cognizant of the advent of regulatory changes in the cannabis industry on the city, state, provincial, and national levels. Although the regulatory outlook on the cannabis industry has been moving in a positive trend, the Company is aware of the effect that unforeseen regulatory changes could have on the goals and operations of the business as a whole.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and other 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 pursuant to its previous business as a venture capital firm and has evaluated and monitored counterparty credit to mitigate credit risk; however, as at March 31, 2024, all previously-held credit investments in its legacy portfolio investees have been disposed or written off.

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

Furthermore, although deposited cash is placed with U.S. financial institutions in good standing with regulatory authorities, changes in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the cannabis industry have passed the U.S. House of Representatives, but have not yet been voted on within the U.S. Senate. Given that current U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry.

The global economic slowdown, inflation, rising interest rates, and the prospects for recession, as well as recent and potential future disruptions in access to bank deposits or lending commitments due to bank failure, could materially and

adversely affect the Company's liquidity, business, and financial condition. The recent closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the Federal Deposit Insurance Corporation ("FDIC") have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Bank and Signature Bank would have access to their funds (even deposit amounts that exceed FDIC deposit insurance limits), future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages. The failure of any bank in which the Company or Etain has deposited funds could reduce the amount of cash the Company has available for its operations or delay its ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management, and/or custodial financial institutions. Neither the Company nor Etain currently has a commercial relationship with a bank that has failed, nor has the Company or Etain experienced delays or other issues in meeting financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, the Company's ability to access cash and cash equivalents and investments may be threatened and could have a material adverse effect on the Company's business operations and financial condition.

The Company's Canadian dollar cash deposits are held with a large reputable credit union. While Canadian dollar deposits exceed the CDIC insurance coverage thresholds, the Company considers the bank's risk of default to be remote. The Company's U.S. dollar cash deposits are held with FDIC-insured U.S. financial institutions in good standing with regulatory authorities. The Company holds its material cash deposits using insured cash sweep programs, whereby these deposits are effectively wholly FDIC-insured.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements and maintaining sufficient cash balances for settlement of financial liabilities on their due dates.

As at March 31, 2024, the Company's financial liabilities are comprised of accounts payable and accrued liabilities, lease liabilities (Note 11 in the Interim Consolidated Financial Statements), provision liability (Note 12), and the Convertible Notes (Note 13). As at March 31, 2024, the Company also had commitments related to the Excess Project Costs (Note 15). Please refer to the referenced notes in the Interim Consolidated Financial Statements for additional details on the known or estimated timing of the payments related to these financial obligations.

REGULATORY FRAMEWORK

Prior to the Etain Acquisition, RIV Capital did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. In light of the Etain Acquisition and the agreements referenced under the heading "*Company Overview – Etain Acquisition and the Second Hawthorne Investment*", following the Initial Etain Closing, the Company (through Etain) may be considered to be directly engaged in the cultivation or distribution of cannabis in the U.S. for purposes of the Staff Notice. The Investees are not currently directly involved in any marijuana-related activities in the U.S. (as defined in the Staff Notice). Pursuant to the Staff Notice, issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents, such as this MD&A. The Company will evaluate, monitor, and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Any non-compliance, citations or notices of violation that may have an impact on Etain LLC's licenses, business activities, or operations will be promptly disclosed by the Company.

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

Financial Position and Operating Statement Exposure to U.S. Cannabis Related Activities

As of the date of this MD&A, the majority of the Company's business was directly derived from U.S. cannabis-related activities. As such, excluding the Company's cash and legacy portfolio, the Company's balance sheet and operating statements exposure to U.S. cannabis-related activities for periods following the Etain Acquisition is nearly 100%.

Cannabis Regulatory Framework – United States (Federal-Level)

Cannabis

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice, regarding required disclosures for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state’s regulatory framework. Under the revised notice (Staff Notice 51-352), all issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

Under U.S. federal law, drugs are regulated through the Controlled Substances Act (21 U.S.C. § 811) (“**CSA**”), which categorizes drugs into five different schedules. Schedule I is reserved for those drugs the federal Drug Enforcement Agency considers to have a high potential for abuse with no currently accepted medical use. Cannabis, other than hemp containing less than 0.3% THC on a dry weight basis (see below for more information), is categorized as a Schedule I controlled substance under the CSA (but see below regarding President Biden’s rescheduling marijuana initiative), making it illegal under U.S. federal law to cultivate, distribute, or possess cannabis. While state laws may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens of those states for activity that is legal under state law. As at the date of this MD&A, and as mentioned above, 41 states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Island), have legalized the cultivation and sale of cannabis for medical purposes. In 24 states and the territory of Guam, the sale and possession of cannabis is legal for both medical and adult-use (note Virginia’s general assembly did not reenact its adult-use program so it does not have an operational adult-use market), and the District of Columbia has legalized adult-use, but not commercial sale.

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

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

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. The Sessions Memorandum did not give federal prosecutors direction as to the priority they should ascribe to such cannabis activities, and therefore it is uncertain how active federal prosecutors will be in relation to such activities. Due to the ambiguity of the Sessions Memorandum, it is possible that the federal government will seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Please refer to the section entitled “*Risk Factors*” in the Annual MD&A for additional information.

Notably, one legislative safeguard for medical cannabis programs remains in place. Congress has repeatedly passed a budget “rider” provision known as the “Rohrabacher-Farr Amendment” (also sometimes referred to as the “Rohrabacher-Blumenauer” or “Joyce-Leahy” Amendment), which prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis markets. The Rohrabacher-Farr amendment has been passed in the FY 2015, 2016, 2017, 2018, 2019, 2020, 2021 Consolidated Appropriations Acts. On March 15, 2022, the amendment was renewed through signing of the fiscal year 2022 omnibus

spending bill, extending the rider's protections through September of 2022. On September 30, 2022, President Biden signed H.R. 6833, a continuing resolution extending the provisions of the Rohrabacher-Farr Amendment through December 16, 2022. On December 29, 2022, President Biden signed PL 117-328, the Consolidated Appropriations Act for fiscal 2023, making the Rohrabacher Farr amendment effective through September 30, 2023. On September 29, 2023, President Biden signed a spending bill, officially called HR 5860, which extends the Rohrabacher Farr amendment through November 17, 2023. The Rohrabacher-Farr Amendment was most recently renewed on March 9, 2024 when President Biden signed House Resolution 4366 funding certain parts of the federal government (including the Department of Justice through September 30, 2024). While similar riders have been proposed to protect existing state enacted adult-use programs, such riders have not yet passed Congress and are not presently in place. There are no assurances that the Rohrabacher-Farr Amendment will be included in future federal government budgets, spending bills, or continuing resolutions.

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

If the Department of Justice opted to pursue a policy of aggressively enforcing U.S. federal law against financiers or equity owners of cannabis-related businesses, then the Company and its Investees could face: (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers, and/or investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

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

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy. Accordingly, the Company may have limited or no access to banking or other financial services. The inability, or limitation on the ability, to open or maintain bank accounts in the U.S., obtain other banking services, and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned in the U.S. Indeed, the ability of retail customers to pay for their purchases of cannabis products by accessing the customers' personal bank accounts can be problematic and dependent upon how the payment processor networks view these transactions. In July of 2023, one such network, Mastercard, reportedly instructed U.S. financial institutions to stop allowing retail purchases of cannabis products on its debit cards, thus denying customers of a convenient way to purchase marijuana products without cash. The Company is actively assessing this development and the impact, if any, upon its operations.

Despite these laws, in February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") of the U.S. Treasury Department issued the FinCEN memorandum providing instructions to banks seeking to provide services to cannabis-related businesses (the "**FinCEN Memorandum**"). The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Please refer to the section entitled "*Risk Factors*" in the Annual MD&A for additional information.

On December 2, 2022, President Biden signed the Medical Marijuana Research Act (the “MMRA”) into law. The MMRA is a piece of bipartisan legislation and marks the first standalone cannabis reform bill to be signed into law at the federal level, a significant milestone in the evolution of federal cannabis policy. While the new law does reclassify marijuana’s status as a Schedule I substance under the CSA, the legislation is intended to: (1) advance research on the potential risks and medical benefits of cannabis, cannabis products, and their synthetic equivalents by streamlining and clarifying the role of the DEA in research; (2) expand sources of research-grade marijuana; (3) promote the commercial development of FDA-approved drugs derived from marijuana and CBD; and (4) ensure that physicians may discuss the potential risks and benefits of marijuana and CBD with their patients.

Furthermore, multiple legislative reforms related to cannabis have been introduced in the U.S. Congress. Examples include the proposed bills styled as the States Reform Act, the Cannabis Administration and Opportunity Act, the Marijuana Opportunity Reinvestment and Expungement Act, the Strengthening the Tenth Amendment Through Entrusting States Act, and the Secure and Fair Enforcement Banking Act (the “**SAFE Banking Act**”). The SAFE Banking Act did not pass the Senate in the last Congress. On September 27, 2023, a modified version of the SAFE Banking Act, known as the Secure and Fair Enforcement Regulation (the “**Safer Banking Act**”) was passed by the Senate Committee on Banking, Housing and Urban Affairs, representing the first time any version of the SAFE Banking Act has made it out of committee in the United States Senate. The SAFER Banking Act is expected to go to the Senate floor for a vote, though there can be no assurances to the timing of any such vote or that a vote will take place. Prior versions of the SAFER Banking Act have passed the United States House of Representatives on several occasions, but passage cannot be assured. None of these proposed bills have been approved by both chambers of Congress and none have yet been presented to President Biden for signature. There can be no assurance that any of these pieces of legislation will become law in the U.S.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives: (1) pardoning those convicted of simple marijuana possession under the CSA (21 U.S.C. § 844) and under Washington D.C.’s Code 48-904.01(d)(1); and (2) asking the Secretary of Health and Human Services and the Attorney General “to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law”.

On August 29, 2023, for the first time ever, the Department of Health and Human Services (“**HHS**”) recommended to the Drug Enforcement Administration (“**DEA**”) that marijuana be rescheduled from Schedule I to Schedule III under the CSA. The next step in the rescheduling process is for DEA to conduct its own review of marijuana based upon three criteria: (1) whether the substance in question has a medical use (only federally legal research on Cannabis will likely be reviewed); (2) its potential for abuse; and (3) the extent to which the substance is unsafe or addictive. DEA must accept HHS’ recommendation on medical and scientific matters.

On May 16, 2024, the U.S. Department of Justice (“**DOJ**”) announced that Attorney General Merrick Garland is recommending that cannabis be rescheduled to Schedule III from Schedule I, and the DOJ formally submitted to the Federal Register a notice of proposed rulemaking to reschedule marijuana. The proposed rule change will be published in the Federal Register following which a public comment period will commence. It is unclear what the outcome of the public comment period will be. It is possible that litigation against the recommendation could ensue following publication of the proposed rule change which would impact the timing of the effectiveness of the rule change.

It is not clear when DEA will complete its review of the HHS recommendation, nor is it clear whether such review will ultimately result in marijuana being rescheduled.

Hemp

On December 20, 2018, the Agricultural Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law by former President Donald Trump. The 2018 Farm Bill, among other things, removed industrial hemp and its cannabinoids, including CBD derived from industrial hemp (as defined in the 2018 Farm Bill), from the CSA and amended the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the U.S. Under the 2018 Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The U.S. Department of Agriculture (the “**USDA**”) has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the USDA to review and approve any state-promulgated regulations relating to industrial hemp. On October 31, 2019, the USDA issued interim final regulations that imposed certain testing and other requirements in order to assure that crops to be sold as industrial hemp will meet the statutory limitations. On February 27, 2020, the USDA announced that it would delay enforcement of certain requirements of the interim final regulations pertaining to analytical testing and disposal requirements until October 31, 2021, or publication of the final rule, whichever occurred first. On January 11, 2021, the USDA announced the final regulations, with an effective date of March 22, 2021. The final regulations generally track the interim final regulations, though with some modifications.

Further, under the 2018 Farm Bill, the United States Food and Drug Administration (the “**FDA**”) has retained its authority to regulate products containing cannabis or cannabis-derived compounds, including CBD, under the Food, Drug and Cosmetics Act (the “**FDCA**”) and section 351 of the Public Health Services Act. On May 31, 2019, the FDA held its first public meeting to discuss the regulation of cannabis-derived compounds, including CBD. The meeting included stakeholders across academia, agriculture, consumer, health professional, and manufacturer groups, and was intended to explore new pathways for hemp-derived CBD to be sold legally in the food and supplement markets, while protecting research into future pharmaceutical applications. The FDA has expressed an interest in fostering innovation regarding the development of products containing hemp-derived compounds, such as CBD; however, the FDA has indicated that those actions will have to fit under the confines of current law and further legislation will likely be required.

In November 2019, the FDA issued guidance and a description of its activities, in which the FDA stated that only hemp seed oil, hulled hemp seed, and hemp seed powder were “Generally Recognized as Safe” (“**GRAS**”) as ingredients in food, and that CBD and THC were not GRAS. In the guidance, the FDA has taken the position that a food product or dietary supplement containing CBD would be “adulterated” and could not legally be marketed in the U.S. The FDA has continued to issue warning letters to manufacturers of food or dietary supplements that are labeled as including CBD.

The FDA has approved one prescription drug containing CBD and has taken the position that no other product can be marketed as containing CBD without approval as a new drug. On January 26, 2023, FDA announced that it had denied three citizen petitions that had asked FDA to issue a rulemaking allowing products containing CBD to be marketed as dietary supplements. Instead of agreeing to issue a rulemaking, FDA took the position that “a new regulatory pathway for CBD is needed that balances individuals’ desire for access to CBD products with the regulatory oversight needed to manage risks.” While FDA announced its willingness to work with Congress on such a program, it would not create such a regulatory program on its own. Moreover, in denying the citizen petitions, FDA expressed significant concerns about CBD. For example, FDA stated, “the accumulating evidence about CBD suggests that there are considerable safety concerns with its potential use as a dietary supplement, and it is not apparent from your Petition or the available evidence how a CBD product would be able to meet the applicable safety standard that the law provides for dietary supplements. The use of CBD raises safety concerns, especially with long-term use. Scientific studies show possible harm to the male reproductive system, including testicular atrophy; harm to the liver; and interactions with certain medications. The FDA has not found adequate information showing how much CBD can be consumed, and for how long, before causing harm. This is particularly true for vulnerable populations like children and those who are pregnant. For this reason, we have concerns as to whether CBD products could meet the safety standard for dietary supplements.”

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

There can be no guarantee that the Farm Bill will be re-enacted or that if re-enacted, changes could be made to the current version that could impact treatment of hemp, including the current definition of hemp that excludes it from the provisions of the CSA.

State Level Legislation

On November 3, 2020, ballot initiatives regarding the establishment of medical use regulatory frameworks in Mississippi and South Dakota, and adult-use regulatory frameworks in Arizona, New Jersey, Montana, and South Dakota, successfully passed. Subsequently, Connecticut, New Mexico, New York, and Virginia (during 2021, though this adult-use program has now stalled) and Rhode Island (during 2022) passed legislation to allow adult use of cannabis, with implementing legislation and regulations for commercial sales to follow. On November 8, 2022, Maryland voters approved a referendum and Missouri voters passed a ballot initiative legalizing marijuana. Measures to legalize adult-use marijuana in Arkansas, North Dakota, and South Dakota failed. On November 7, 2023, Ohio became the 24th state to legalize adult-use cannabis via an initiated statute approved by voters. Voters in Florida will decide on November 5, 2024, whether to approve Florida Amendment 3, an initiated constitutional amendment that would legalize adult-use cannabis.

In addition, several states have recently passed cannabis legislation signed into law by their respective governors. On March 31, 2023, Kentucky’s legislature and governor approved a bill authorizing a medical cannabis program. On April 23, 2023, Delaware’s legislature passed legislation that become law authorizing an adult-use cannabis program. On May 30, 2023, Minnesota’s legislature and governor signed into law a bill creating an adult-use cannabis program.

For the reasons set forth above, the Company’s existing investments in the U.S., and any current and future investments in the U.S. cannabis market that the Company pursues under its revised corporate strategy, may become the subject

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

Moreover, as a result of the Company's strategy targeting opportunities in the U.S. cannabis market and/or the Etain Acquisition, parties outside of the cannabis industry with which the Company does business may perceive that they are exposed to reputational or other business risk as a result of the Company's cannabis-related business activities. For example, the Company could receive a notification from a financial institution or professional services firm advising it that they would no longer maintain a relationship with the Company. Accordingly, the Company may in the future have difficulty establishing certain business relationships that it needs to operate its business. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Please refer to the sections entitled "*Regulatory Framework – Other Risk Related to Investing in the U.S. Cannabis Industry*" and "*Risk Factors*" in the Annual MD&A for additional details.

Cannabis Regulatory Framework – United States (State-Level and Compliance Summary)

New York Legislative History

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

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

On September 27, 2023, CCB adopted final adult-use regulations for the New York adult-use cannabis market, incorporating feedback from two prior public comment periods. Under the approved regulations, a one-time special licensing fee related to an RO's transition to New York's adult-use cannabis market is \$20,000 in total (exclusive of application fees), with \$5,000 payable when an RO receives its ROD (as defined above) license, with another \$5,000 payable within 180 days of opening its second co-located dispensary (with the first co-location permitted not sooner than December 29, 2023, which is one year from the date of the first legal sale of adult-use cannabis in the state of New York, and the remaining two stores no sooner than June 29, 2024), \$5,000 payable within 30 days of achieving \$100,000 in revenue from its ROD license, and \$5,000 payable within 30 days of achieving \$200,000 in revenue from its ROD license. The balance of the \$20,000 special licensing fee must be paid by December 31, 2033, even if the triggering events above are not achieved unless aggregate New York State cannabis retail and wholesale revenues are less than \$20 billion, in which case, the fee obligation sunsets. Under the proposed regulations, if an ROD license expires or is otherwise revoked, cancelled, or abandoned before December 31, 2033, the ROD must still pay the remainder of the \$20,000 special licensing fee. The approved regulations included a significant number of other rules governing the ROs as well as other aspects of the adult-use market.

On February 22, 2023, the OCM issued final regulations to govern medical cannabis and replace the former medical regulations promulgated by the NYDOH. On July 19, 2023, the OCM recommended and the CCB approved proposed amendments to align the adopted medical regulations with the proposed adult-use regulations. The amended medical regulations were adopted by the CCB and ultimately made effective on March 27, 2024.

The OCM has also:

- Released Laboratory Testing Regulations (Part 130) effective as of March 22, 2023.

- Released a revised version of the Packaging, Labeling, Marketing and Advertising Regulations (Part 128 and 129), which was made effective March 22, 2023.
- Issued final Personal Home Cultivation of Medical Cannabis regulations (Part 115), which became effective on October 5, 2022.
- Proposed changes to the Personal Home Cultivation of Medical Cannabis regulations (Part 115), which comment period ends on May 20, 2024.
- Proposed changes to the adult-use regulations (Parts 118-121, 124-125, and 131), which comment period ends on June 10, 2024.
- Awarded 463 Conditional Adult-Use Retail Dispensaries (CAURDs) licenses, which are the first retail dispensaries to open for adult-use cannabis sales in New York State and are intended to be issued to applicants meeting certain social equity and justice involved criteria further outlined in guidance issued by the OCM. On December 29, 2022, the first CAURD licensee began operating and conducted the first adult-use retail cannabis sale in New York State.
- Awarded a number of adult-use cannabis licenses for Adult-Use Retail Dispensaries, Cultivators, Processors, Distributors, and Microbusinesses.

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

New York Operations

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

New York Licenses

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

The New York cultivation, processing, and dispensary licenses are valid for two years from the date of issuance and license holders are required to submit a renewal application not more than six months nor less than four months prior to expiration. Etain submitted its application for renewal of its medical cannabis licenses on May 1, 2023. On November 17, 2023, OCM renewed Etain’s medical cannabis licenses.

On November 3, 2023, Etain submitted an application to transition to an ROD license, which would permit both medical and adult-use operations in New York. On December 8, 2023, the OCM and CCB approved Etain’s transition to an ROD license. Etain’s ROD license permits Etain to cultivate, manufacture, distribute, deliver, and sell at retail cannabis products both to adult-use consumers and individuals who have been prescribed medical cannabis and have appropriate identification cards issued by New York State. The cultivation, manufacture, and sale must occur on the licensed premises. Etain currently has four operating dispensaries in New York (notably, under the MRTA, Etain can expand to a maximum of eight dispensaries statewide with a maximum of three permitted to co-locate for medical and adult-use sales subject to the time restrictions identified above). Etain’s White Plains dispensary is its first co-located dispensary, which opened for medical and adult-use sales in February of 2024.

While Etain is now an ROD licensee, it remains subject to the medical cannabis regulations applicable to ROs.

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

License Number	City/County	Expiration Date	Description
OCM-XROD-23-000004	Chestertown	11/16/2025	Adult-Use Retail Dispensary, Registered Organization
MM0401M	Chestertown	11/16/2025	Acquiring, possession, manufacture, sale, transporting, and distributing medical and adult use cannabis
MM0403D	Kingston	11/16/2025	Acquiring, possession, sale, transporting, distributing, dispensing and delivery of medical cannabis

License Number	City/County	Expiration Date	Description
MM0405D	Syracuse	11/16/2025	Acquiring, possession, sale, transporting, distributing, and dispensing medical cannabis
MM0407D	Manhattan	11/16/2025	Acquiring, possession, sale, transporting, distributing, dispensing and delivering medical cannabis
MM0408D	White Plains	02/08/2026	Acquiring, possession, sale, transporting, distributing, and dispensing medical and adult-use cannabis
OCM-HMPR-22-00108	Manhattan Kingston White Plains Syracuse	02/24/2024 ⁽¹⁾	Cannabinoid Hemp Retail License
OCM-HMPE-23-00046	Chestertown	02/16/2025	Cannabinoid Hemp Processor – Extracting & Manufacturing License

(1) These licenses are still being recognized by OCM while Etain submits applications for replacement licenses due to technical glitches in New York's application portal that prevented Etain from timely renewing such applications.

While Etain's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that New York cannabis licenses will be renewed in the future in a timely manner. Any decision not to renew such licenses or unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned New York cannabis operations and could have a material adverse effect on the business, financial condition and results of operations of the Company and Etain.

New York Record-Keeping and Reporting

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

New York Inventory/Storage

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

All cannabis that is not part of a finished product must be stored in a secure area or location within the RO/ROD and be accessible only to a minimum number of employees essential for efficient operation and in such a manner as approved by the OCM in advance, to prevent diversion, theft or loss and against physical, chemical and microbial contamination and deterioration. Cannabis must be returned to its secure location immediately after completion of manufacture, distribution, transfer or analysis. Any cannabis that is deemed to be waste material must be rendered inert and disposed of in accordance with the cannabis regulations. Destruction records must be carefully maintained for a period of five years.

New York Security

All facilities operated by a RO/ROD, including any manufacturing facility and dispensing facility, must have a security system to prevent and detect diversion, theft or loss of cannabis and/or medical cannabis products. The security system

must utilize commercial grade equipment which includes a perimeter alarm and a failure notification system that provides an audible text or visual notification of any failure in the surveillance system. Manufacturing and dispensing facilities must direct cameras at all approved safes, vaults, dispensing areas, cannabis sales areas and any other area where cannabis is manufactured, stored, handled, dispensed or disposed of. Manufacturing and dispensing facilities must angle the cameras to allow for the capture of clear and certain identification of any person entering or exiting the facilities. The surveillance cameras must record during hours of operation and at any time that cannabis or medical cannabis products, in any form, are being handled, and motion activated recordings at all other times. Recordings from all surveillance cameras must be readily available for immediate viewing by a New York State authorized representative upon request and must be retained for at least 60 days. A RO/ROD must regularly test the security and surveillance equipment at each manufacturing and dispensing facility that is operated under the RO's registration. Records of security tests must be maintained for five years.

New York Transportation

Cannabis products must be transported in a locked storage compartment whether by motorized or unmotorized means, and in a storage compartment that is not readily visible. An employee of a RO/ROD, when transporting approved cannabis products, must (a) possess a copy of the shipping manifest at all times when transporting or delivering cannabis products, (b) keep the shipping manifest for a minimum of five years, (c) ensure that the transport team members have the ability to communicate with employees of the RO/ROD at all times that the vehicle contains cannabis products, and (d) have an operational Global Positioning System (GPS) device for identifying the geographic location of the transportation at all times while cannabis products are being transported.

New York Inspections

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

If any deficiencies are identified by the inspection, such deficiencies must be documented in a statement of findings issued by OCM. The RO/ROD then has 30 days from the issue date of the statement of findings to submit a written plan of correction.

U.S. Attorney Statements in New York

To the knowledge of management of the Company, other than as disclosed elsewhere in this MD&A, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in New York. Please refer to the section entitled "*Risk Factors*" in the Annual MD&A for further details.

Compliance Program and Procedures

Prior to the Etain Acquisition, the Company did not engage in the cultivation or distribution of cannabis in the U.S. for purposes of Staff Notice 51-352. In light of the Etain Acquisition, the Company continues to develop its internal compliance and standard operating procedures on this topic, which will be fully integrated with the extensive state-approved standard operating procedures and compliance policies and programs Etain LLC has in place. In entering into the Etain Purchase Agreements, the Company conducted appropriate diligence to confirm that Etain has internal policies and procedures to maintain compliance with applicable state laws and as to current compliance. The Etain Purchase Agreements included appropriate representations as to current compliance.

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

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

policies impacting Etain LLC in the state of New York. The Company and Etain LLC have engaged New York State and local regulatory/compliance counsel to assist in evaluating compliance of applicable requirements, and Etain LLC has a compliance department to monitor and implement applicable requirements.

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

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

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

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

While Etain LLC strives, and the Company will strive, to ensure that operations are in compliance with New York State laws, regulations and licensing requirements, some of such activities remain illegal under U.S. federal law. For the reasons described above, the risks described below under "*Other Risks Related to Investing in the U.S. Cannabis Industry*" and the risks further described under the heading "*Risk Factors*" in the Annual MD&A, there are significant risks associated with the business of Etain (and the Company).

Other Risks Related to Investing in the U.S. Cannabis Industry

Contracts and Service Providers

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

Prior to the Initial Etain Closing, the Company engaged in discussions with its service providers, including its auditor and any entities that provide commercial banking services to RIV Capital, whose terms of service prohibit the Company from making investments or acquisitions in the U.S. cannabis market regarding any necessary transition to service providers whose terms of service would not prohibit such activities. The Company successfully completed certain required transitions to new service providers prior to the Initial Etain Closing.

Taxes

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

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

portion of operating costs and general administrative costs are not permitted to be deducted. These tax provisions could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Access to Public and Private Capital

Given the illegality of cannabis under U.S. federal law, the Company's access to capital could be negatively affected by public and/or private capital not being available to support continuing operations or future investment opportunities. To date, the Company has been able to access equity financing through public and private markets in Canada, and debt financing through the Convertible Notes. At present, management believes that capital availability could change without notice, requiring the Company to operate solely on currently available and internally generated funds.

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

RISK FACTORS

An investment in the securities of the Company is speculative, involving a high degree of risk. There are several risk factors that could cause the Company's actual results, performance, and achievements to differ materially from those described herein. If any of these risks occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly. Such risk factors include, but are not limited to, the risks discussed in this MD&A and under the heading "*Risk Factors*" in the Annual MD&A, which has been filed under the Company's profile on SEDAR+ at www.sedarplus.ca