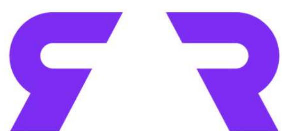

RIV CAPITAL

RIV CAPITAL INC.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2023, AND THE THREE MONTHS AND YEAR ENDED MARCH 31, 2023

Date: April 29, 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 April 29, 2024, reports on the financial condition and results of operations of RIV Capital for the three months and nine month transition period ended December 31, 2023, and the three months and year ended March 31, 2023. 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 (the "**Consolidated Financial Statements**"), including the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. This MD&A was prepared with reference to National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

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. Accordingly, the Company is reporting annual financial results for the nine-month transition period from April 1, 2023, to December 31, 2023, and, as a result, the comparative figures for the prior fiscal year ended March 31, 2023, are not directly comparable. 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.

Additional information related to the Company, including this MD&A, the 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 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 April 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 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 whether or not impairment charges will or will not occur in the future;
- 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 licensing fees 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, including with respect to the impact of the Investees’ operating results and the anticipated cash profitability of its business;
- the Company’s expectations with respect to 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 sections entitled "Financial Risk Management" and "Risk Factors" herein. Financial outlooks, as with forward-looking information generally, are, without limitation, based on assumptions and subject to various risks as discussed in the sections entitled "Financial Risk Management" and "Risk Factors" herein. 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, 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: Etain

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 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 medical cannabis 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 medical and adult-use 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, out of which Etain LLC manufactured its portfolio of medicated cannabis products (dried flower, pre-rolls, vaporizers, capsules, tinctures, powders, lozenges, lotions, and oral sprays).

During the nine months ended December 31, 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 58th 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 medical and adult-use 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, tinctures, powders, lozenges, lotions, and oral sprays.

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

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 optimization of Etain LLC's retail footprint and the development of the Flagship Facility in Western New York), the Company aims to achieve its growth objectives in a capital efficient manner. The Company currently anticipates that optimizing Etain LLC's retail footprint, completing the development of the Flagship Facility, 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 2024 to 2026. This estimated range has increased 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 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 will be $20,000 in total (exclusive of application fees, which are expected to be less than $500), including $5,000 payable when an RO receives its ROD (as defined below) license, with another $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 permitted not sooner than December 29, 2023, which is one year from the date of the first legal sale of adult-use cannabis in New York, and the remaining two stores no sooner than June 29, 2024), $5,000 payable within 30 days of achieving $100,000 in cumulative revenue from its ROD license, and $5,000 payable within 30 days of achieving $200,000 in cumulative revenue from its ROD license. The balance of the $20,000 special licensing fee referenced

above must be paid by December 31, 2033, even if the triggering events above are not achieved, unless aggregate New York State cannabis retail and wholesale revenues are less than $20 billion, in which case, the fee obligation sunsets. Under the 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 $20,000 special licensing fee. On January 26, 2024, Etain LLC paid the initial $5,000 tranche 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 temporarily 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 December 31, 2023. Please refer to Notes 13, 14, and 28 of the 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 Dec. 31, 2023**	**Number of Shares**	**Notes**
BioLumic	Preferred shares	$ 3,546	472,389	● Represents an approximate 8% basic and 7% fully-diluted equity interest
Headset	Preferred shares	$ 1,886	2,126,901	● Represents an approximate 8% basic and 6% fully-diluted equity interest
ZeaKal	Preferred shares	$ 8,073	248,446	● Represents an approximate 9% basic and 9% fully-diluted equity interest

(1) The information contained in this table excludes certain immaterial investments held by the Company as at December 31, 2023, in instances where the Company is not actively involved with the subject company and/or has not ascribed any value to its investment.

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

U.S. Cannabis Platform

New York: Etain

During the three months ended June 30, 2023, the Chestertown Expansion was substantially completed. As further described under the heading "Cultivation and Production" above, the Chestertown Expansion added more than 40,000 square feet of additional cultivation, lab, and manufacturing space to the Chestertown Facility.

During the three months ended September 30, 2023, the Company began ramping up usage of the new greenhouse bays and expanded production space, including commissioning new production machinery to enhance operational efficiencies.

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 marijuana cannabis and have appropriate identification cards issued by the state of New York.

Other Investments

During the nine months ended December 31, 2023, the Company divested its interest in two Investees. Please refer to the Company's historical public filings for additional details on the Company's investments prior to March 31, 2023.

Agripharm

On December 11, 2023, the Company entered into an asset purchase agreement with an arms-length party pursuant to which the Company sold its royalty interest in Agripharm Corp. ("**Agripharm**") for gross cash proceeds of $900. In connection with the disposition, the Company recognized a decrease in fair value of financial assets at fair value through profit or loss ("**FVTPL**") of $43 in its consolidated statements of loss and comprehensive loss.

Dynaleo

During the three months ended June 30, 2023, certain material changes to existing contracts with customers were effected such that Dynaleo became unable to meet its short term financial obligations required to continue operations.

On May 23, 2023, Dynaleo filed a Notice of Intention for creditor protection pursuant to section 50.4(1) of the Bankruptcy and Insolvency Act (Canada). As a result, the Company reduced the estimated fair value of its investment in Dynaleo to $nil as at March 31, 2023. On October 20, 2023, Dynaleo was deemed to have filed an assignment under bankruptcy and a licensed insolvency trustee was appointed by the official receiver, subject to affirmation by the creditors of the trustee's appointment or substitution of another trustee by the creditors.

NOYA

On December 20, 2023, the Company entered into a purchase agreement with a third party pursuant to which the Company sold all of its rights, title and interest in, to, and under: (i) 17,588,424 common shares in NOYA Holdings Inc ("**NOYA**"); (ii) the convertible debenture dated January 2, 2020, issued by NOYA to the Company and the outstanding indebtedness thereunder; and (iii) the royalty agreement and royalty interest in NOYA for gross proceeds of $1,002. The gross proceeds were allocated $754 to the convertible debenture and $248 to the royalty interest. No proceeds were received in respect of the NOYA common shares. Prior to the sale, the Company's carrying value of the common shares was already written to $nil. In connection with the disposition, the Company recognized a decrease in fair value of financial assets at FVTPL of $507 in its consolidated statements of loss and comprehensive loss.

Capital Activities

During the nine months ended December 31, 2023, the Company did not raise capital through any debt or equity financings.

Share Capital

Below is a summary of the Company's equity capital activity during the nine months ended December 31, 2023:

Summary of Equity Capital Activity	
	Number of Common Shares
Balance – Mar. 31, 2023	**135,617,313**
Redemption of RSUs (as defined herein)	142,778
Redemption of PSUs (as defined herein)	410,547
Balance – Dec. 31, 2023	**136,170,638**

RESULTS OF OPERATIONS

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

Summary Operating Results(1)						
	Three months ended (unaudited)			Fiscal year ended (audited)(2)		
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2023	Mar. 31, 2023	Mar. 31, 2022
Revenue						
Revenue	$ 2,172	$ 2,008	$ -	$ 5,876	$ 7,250	$ -
Excise taxes	(107)	(123)	-	(328)	(443)	-
Total revenue, net	**2,065**	**1,885**	**-**	**5,548**	**6,807**	**-**
Cost of Goods Sold						
Cost of goods sold	1,542	1,087	-	4,984	4,372	-
Gross profit excluding fair value items	**523**	**798**	**-**	**564**	**2,435**	**-**
Unrealized loss on changes in fair value of biological assets	(1,150)	(13)	-	(739)	(31)	-
Realized fair value amounts included in inventory sold	53	(2)	-	45	2	-
Gross profit (loss)	**(574)**	**783**	**-**	**(130)**	**2,406**	**-**
Operating expenses						
Selling, general, and administrative expenses	5,524	4,801	1,950	15,634	20,502	11,819
Impairment of goodwill and intangible assets	48,650	-	-	48,650	138,937	-
Operating loss	**(54,748)**	**(4,018)**	**(1,950)**	**(64,414)**	**(157,033)**	**(11,819)**
Other income (loss)						
Litigation settlement expense	-	-	-	-	(16,014)	-
Share of loss from associates	-	256	(470)	(172)	(1,037)	(1,269)
Impairment of associates	(1,536)	-	-	(1,859)	(207)	(150)
Net change in fair value of financial assets at FVTPL	(550)	(603)	(2,991)	(2,063)	(2,211)	(34,663)
Gain on dispositions	-	-	-	-	-	890
Accretion and interest expense	(3,810)	(5,866)	(2,366)	(10,914)	(17,222)	(5,716)
Foreign exchange gain (loss)	(1,518)	(684)	3,972	(1,382)	10,004	1,009
Other income (loss), net	630	592	187	1,532	1,545	(426)
Loss before taxes	**(61,532)**	**(10,323)**	**(3,618)**	**(79,272)**	**(182,175)**	**(52,144)**
Income tax recovery	(14,216)	(432)	(847)	(15,428)	(2,916)	(9,939)
Net loss	**$ (47,316)**	**$ (9,891)**	**$ (2,771)**	**$ (63,844)**	**$ (179,259)**	**$ (42,205)**
Other comprehensive income (loss) not subsequently reclassified to net loss						
Net change in fair value of financial assets at FVTOCI, net of tax expense or recovery	(2,281)	(3,073)	342	(2,286)	(2,813)	378
Other comprehensive income (loss) subsequently reclassified to net loss						
Foreign currency translation adjustment	(737)	299	1,369	(598)	(5,248)	1,890
Total comprehensive loss	**$ (50,334)**	**$ (12,665)**	**$ (1,060)**	**$ (66,728)**	**$ (187,320)**	**$ (39,937)**
Net loss per share – basic	**$ (0.35)**	**$ (0.06)**	**$ (0.02)**	**$ (0.47)**	**$ (1.09)**	**$ (0.30)**
Net loss per share – diluted	**$ (0.35)**	**$ (0.06)**	**$ (0.02)**	**$ (0.47)**	**$ (1.09)**	**$ (0.30)**

(1) The comparative periods for the three months ended December 31, 2021, and year ended March 31, 2022, have been restated to align with the Company's presentation currency of the U.S. dollar.
(2) The fiscal year ended December 31, 2023, includes the financial results for the nine-month transition period of April 1, 2023, to December 31, 2023. The fiscal years ended March 31, 2023, and March 31, 2022, include the financial results for the twelve-month periods of April 1, 2022, to March 31, 2023, and April 1, 2021, to March 31, 2022, respectively.

Review of Operating Results for the Three and Nine Months ended December 31, 2023

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 Company is reporting "fiscal year end" results for the nine-month transition period from April 1, 2023, to December 31, 2023, and, as a result, the comparative figures for the prior fiscal year ended March 31, 2023, are not directly comparable. Furthermore, the comparative operating results reported by the Company for the year ended March 31, 2023, include the operating results for Etain LLC from April 22, 2022, to March 31, 2023. The revenue and net loss reported by the Company for the year ended March 31, 2023, would not have been materially different had the Initial Etain Closing been effected April 1, 2022, instead of April 22, 2022.

Revenue, Net

The Company reported revenue, net of excise taxes, of $2,065 for the three months ended December 31, 2023, compared with $1,885 for the same period last year. Retail revenue of $1,913 was generated for the three months ended December 31, 2023, from the Company's U.S. cannabis platform through Etain LLC's medical dispensaries in Manhattan, Kingston, Syracuse, and Yonkers, compared with $1,836 for the same period last year. Wholesale revenue of $259 was generated from sales of Etain-branded medical cannabis products to other RO's in New York for the three months ended December 31, 2023, compared with $172 for the same period last year. The Company reported excise taxes of $107 for the three months ended December 31, 2023, compared with $123 for the same period last year. Net revenue for the three months ended December 31, 2023, was positively impacted by the expiration of loyalty points during the quarter.

For the nine months ended December 31, 2023, the Company reported revenue, net of excise taxes, of $5,548, compared with $6,807 for the year ended March 31, 2023. Retail revenue of $5,145 was generated for the nine months ended December 31, 2023, from the Company's U.S. cannabis platform through Etain LLC's medical dispensaries, compared with $6,565 for the year ended March 31, 2023. Wholesale revenue of $731 was generated for the nine months ended December 31, 2023, from sales of Etain-branded products to other RO's in New York, compared with $685 for the year ended March 31, 2023. The Company reported excise taxes of $328 for the nine months ended December 31, 2023, compared with $443 for the year ended March 31, 2023. The decrease in net revenue relative to the comparative period was primarily attributable to the shorter nine-month transition period.

Cost of Goods Sold

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 $1,542 for the three months ended December 31, 2023, compared with $1,087 for the same period last year. The increase in cost of goods sold relative to the comparative period was attributable to the greater scale of operations at Etain LLC's Chestertown Facility in connection with Etain LLC's entry into the adult-use wholesale and retail markets in New York. Furthermore, during the three months ended December 31, 2023, the Company recognized an inventory write-down of $34, primarily driven by intermediate oil solution from prior period extractions that the Company believes will not be used in future production of finished goods.

For the nine months ended December 31, 2023, the Company reported cost of goods sold of $4,984, compared with $4,372 for the year ended March 31, 2023. During the nine months ended December 31, 2023, the Company recognized an inventory write-down of $524, primarily driven by intermediate oil solution from prior period extractions that the Company believes will not be used in future production of finished goods. The increase in cost of goods sold relative to the comparative period was also attributable to the increase in scale of operations.

Gross Profit

Gross profit is determined as revenue (net of excise 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.

The Company reported an unrealized loss on changes in fair value of biological assets of $1,150 and a fair value gain included in inventory sold of $53 for the three months ended December 31, 2023, compared with an unrealized loss on changes in fair value of biological assets of $13 and a fair value loss included in inventory sold of $2 for the same period last year. During the three months ended December 31, 2023, the Company reduced its estimated selling price for bulk flower, which contributed to the unrealized loss described above.

Based on the foregoing, the Company reported a gross profit of $(574) for the three months ended December 31, 2023, compared with $783 for the same period last year. The decrease in gross profit relative to the comparative period was primarily attributable to the increase in cost of goods sold relative to revenue; as the Chestertown Facility has expanded and the scale of operations has increased, the productive capacity of the facility has not reached its full potential, resulting in greater cost absorption for the units produced.

For the nine months ended December 31, 2023, the Company reported an unrealized loss on changes in fair value of biological assets of $739 and a fair value gain included in inventory sold of $45, compared with an unrealized loss on changes in fair value of biological assets of $31 and a fair value gain included in inventory sold of $2 for the year ended March 31, 2023.

Based on the foregoing, for the nine months ended December 31, 2023, the Company reported a gross profit of $(130), compared with $2,406 for the year ended March 31, 2023. The decrease in gross profit relative to the comparative period was primarily attributable to the same factors described in the quarterly comparison above.

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, 4, 8, and 9 in the Consolidated Financial Statements for additional information.

Operating Expenses

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

The Company reported SG&A expenses of $5,524 and $15,634 for the three and nine months ended December 31, 2023, respectively, compared with $4,801 for the three months ended December 31, 2022, and $20,502 for the year ended March 31, 2023.

SG&A expenses for the three and nine months ended December 31, 2023, and the comparative three months ended December 31, 2022, and year ended March 31, 2023, included the following:

SG&A Expenses				
	Three months ended Dec. 31, 2023	**Three months ended Dec. 31, 2022**	**Nine months ended Dec. 31, 2023**	**Year ended Mar. 31, 2023**
Personnel costs (excluding share-based compensation)	$ 1,956	$ 1,843	$ 6,315	$ 6,703
Legal expenses and consulting fees (excluding transaction and restructuring)	674	603	1,764	3,242
Insurance premiums	381	577	1,646	2,314
Director fees (excluding share-based compensation)	291	99	733	329
Non-inventoriable depreciation and amortization of fixed assets and intangible assets	251	273	717	940
Non-inventoriable right-of-use asset amortization	204	150	602	575
Severance expense	112	70	451	668
Selling and marketing expenses	211	97	423	351
Non-inventoriable lease expenses	42	71	260	340
Audit-related fees	118	309	320	1,068
Investor relations and other public company expenses	100	106	301	874
Share-based compensation	68	177	172	524
Transaction expenses	1,002	-	1,031	524
Other	114	426	899	2,050
Total SG&A expenses	**$ 5,524**	**$ 4,801**	**$ 15,634**	**$ 20,502**

The following factors contributed to the Company's reported SG&A expenses:

- Personnel costs were $1,956 and $6,315 for the three and nine months ended December 31, 2023, respectively, compared with $1,843 and $6,703 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The increase in personnel costs during the three months ended December 31, 2023, relative to the same period last year was primarily attributable to the Company's increased headcount in preparation for Etain's entrance into the New York adult-use cannabis market. The decrease in personnel costs for the nine months ended December 31, 2023, relative to the year ended March 31, 2023, was primarily attributable to the shorter nine-month transition period.
- Legal expenses and consulting fees (excluding transaction and restructuring) were $674 and $1,764 for the three and nine months ended December 31, 2023, respectively, compared with $603 and $3,242 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The increase in legal expenses and consulting fees during the three months ended December 31, 2023, relative to the same period last year was partially attributable to increased external legal and tax advisory fees incurred related corporate structuring activities. The decrease in legal expenses and consulting fees for the nine months ended December 31, 2023, relative to year ended March 31, 2023, was primarily attributable to the shorter nine-month transition period, as well as a decrease in litigation-related legal expenses.
- Insurance premiums were $381 and $1,646 for the three and nine months ended December 31, 2023, respectively, compared with $577 and $2,314 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The decrease in insurance premiums for the three months ended December 31, 2023, relative to the same period last year was primarily attributable to the achievement of more favorable pricing by the Company. The decrease in insurance premiums for the nine months ended December 31, 2023, relative to the year ended March 31, 2023, was primarily attributable to the shorter nine-month transition period.
- Director fees were $291 and $733 for the three and nine months ended December 31, 2023, respectively, compared with $99 and $329 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The increase in director fees for the three months ended December 31, 2023, relative to the same period last year 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 current stock price) and an increase in the number of directors that received compensation. The increase in director fees for the nine months ended December 31, 2023, relative to the year ended March 31, 2023, was primarily attributable to the same factors, partially offset by the shorter nine-month transition period.
- Non-inventoriable depreciation and amortization of fixed assets and intangible assets was $251 and $717 for the three and nine months ended December 31, 2023, respectively, compared with $273 and $940 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Depreciation and amortization expense of $309 and $735 was capitalized to inventory and biological assets during the three and nine months ended December 31, 2023, respectively, compared with $146 and $609 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively.
- Non-inventoriable right-of-use asset amortization expense was $204 and $602 for the three and nine months ended December 31, 2023, respectively, compared with $150 and $575 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Lease-related expenses of $277 and $838 were capitalized to inventory and biological assets during the three and nine months ended December 31, 2023, respectively, compared with $375 and $742 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The increase in non-inventoriable right-of-use asset amortization expense for the three months ended December 31, 2023, relative to the same period last year was primarily attributable to the Armonk office and White Plains dispensary leases, which also impacted the increase in non-inventoriable right-of-use asset amortization expense for the nine months ended December 31, 2023, relative to the year ended March 31, 2023 (partially offset by the shorter nine-month transition period).
- Severance expense was $112 and $451 for the three and nine months ended December 31, 2023, respectively, compared with $70 and $668 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Severance expense is impacted by the number of recipients and their former roles with the Company.
- Audit-related fees were $118 and $320 for the three and nine months ended December 31, 2023, respectively, compared with $309 and $1,068 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The decrease in audit-related fees relative to the comparative periods for the three and nine months ended December 31, 2023, was primarily attributable to a lower estimated fee associated with the Company's audit for its current fiscal year and the Company not engaging an external auditor for quarterly reviews.

- Investor relations and other public company expenses were $100 and $301 for the three and nine months ended December 31, 2023, respectively, compared with $106 and $874 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Investor relations and other public company expenses for the three months ended December 31, 2023, were generally in line with the comparative period, and were much lower for nine months ended December 31, 2023, relative to the year ended March 31, 2023, due to lower proxy and other fees related to the Company's annual general meeting.
- Share-based compensation was $68 and $172 for the three and nine months ended December 31, 2023, respectively, compared with $177 and $524 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The decrease in share-based compensation expense for the three months ended December 31, 2023, relative to the comparative period 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 decrease in share-based compensation expense for the nine months ended December 31, 2023, relative to the year ended March 31, 2023, was primarily attributable to the same factors, as well as expense recapture related to forfeited instruments and the shorter nine-month transition period.
- Transaction expenses were $1,002 and $1,031 for the three and nine months ended December 31, 2023, respectively, compared with $nil and $524 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Transaction expenses for the three months ended December 31, 2023, were primarily attributable to legal and tax advisory in respect of the Company's ongoing M&A strategy.

Impairment of Intangible Assets and Goodwill

Etain Brand

During the three months ended December 31, 2023, the Company determined that certain indicators of impairment were present for its brand intangible assets. Such indicators included, but were not limited to, the observed split between house-branded and third-party-branded sales at Etain LLC's medical dispensaries and changes in management's expectations for the same going forward. Accordingly, impairment testing was performed.

The Company estimated the recoverable amount of the brand intangible assets based upon the greater of its value in use and its estimated fair value less costs of disposal ("**FVLCD**") using an income approach (specifically, a relief-from-royalties method, which is based on the premise that an intangible asset is worth the net present value of the future expected royalty payments avoided due to ownership of the underlying asset). The recoverable amount derived from this analysis was compared to the carrying value of the brand intangible assets, and the Company recognized an impairment expense of $2,915 in respect of the brand intangible assets.

Etain CGU Group

During the three months ended September 30, 2022, the Company determined that certain indicators of impairment were present for its Etain cash generating unit ("**CGU**") group. The carrying value of goodwill is allocated entirely to the CGU group represented by the four Etain operating retail stores, and the cultivation, processing, and manufacturing operations (together, the "**Etain CGU Group**"). CGUs are tested for impairment by comparing the carrying value of the CGU to its recoverable amount, where the recoverable amount is the greater of FVLCD and value in use. As a result of the quantitative impairment assessment performed for the three months ended September 30, 2022, the Company determined that the carrying amount of the Etain CGU Group was higher than its FVLCD. Accordingly, the Company recognized an impairment charge of $138,937 on the Etain CGU Group. The entire impairment charge was allocated to goodwill, bringing the carrying amount of goodwill to $6,031 as at September 30, 2022.

In addition to indicator-based impairment testing, goodwill is subject to an annual impairment test. The Company performed its annual impairment testing for the Etain CGU Group at December 31, 2023, based upon its estimated FVLCD. The fair value measurement was categorized as a Level 3 fair value based upon the inputs used in the valuation technique that was applied. The fair value of the Etain CGU Group was estimated using an income approach to value; specifically, a discounted cash flow method, which discounts the net cash flows projected to be derived from the CGU group based on business plans reviewed by management. The projections reflected management's expectations of future revenue, operating margins, working capital needs, and capital expenditures as at the impairment testing date. These cash flow projections reflect laws and tax regimes that are enacted or substantially enacted as at the impairment testing date. Discount rates, derived from the weighted average cost of capital for the CGU group, are applied to the cash flow projections and are intended to reflect the risk inherent in achieving such projections.

As at December 31, 2023, the Company determined that the carrying value of the Etain CGU Group was higher than its FVLCD. Accordingly, the Company recognized an impairment expense of $45,735 in respect of the Etain CGU Group. The impairment expense was allocated $6,031 to the carrying amount of goodwill recorded for the Etain CGU

Group, reducing the carrying amount of goodwill to $nil. The remaining impairment expense of $39,704 was allocated subsequently to the cannabis license rights intangible assets within the Etain CGU Group. Please refer to Note 12 in the Consolidated Financial Statements for additional information.

Operating Loss

Based on the foregoing, the Company reported an operating loss of $54,748 for the three months ended December 31, 2023 (primarily driven by the impairment expense on goodwill and intangible assets of $48,650 discussed above), compared with an operating loss of $4,018 for the same period last year.

For the nine months ended December 31, 2023, the Company reported an operating loss of $64,414 compared with an operating loss of $157,033 for the year ended March 31, 2023.

Other Income (Loss)

The Company reported other loss of $6,784 and $14,858 for the three and nine months ended December 31, 2023, respectively, compared with other loss of $6,305 and $25,142 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The following factors contributed to the Company's reported results:

- The Company reported $16,014 in litigation settlement expense relating to the settlement agreement with JW Asset Management, LLC during the year ended March 31, 2023.
- Share of loss from associates was $nil and $172 for the three and nine months ended December 31, 2023, respectively, compared with share of income of $256 and share of loss of $1,037 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. As at December 31, 2023, the Company did not have any equity method investees to which it ascribed value.
- Impairment of associates was $1,536 and $1,859 for the three and nine months ended December 31, 2023, respectively, compared with $nil and $207 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The impairment charges recognized during the nine months ended December 31, 2023, were attributable to the Company's equity investments in LeafLink International and NOYA. Please refer to Note 13 in the Consolidated Financial Statements for further information.
- The net change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") was a decrease of $550 and $2,063 for the three and nine months ended December 31, 2023, respectively, compared with a decrease of $603 and $2,211 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Please refer to Notes 14 and 28 in the Consolidated Financial Statements for additional information on the Company's other investments.
- Accretion and interest expense was $3,810 and $10,914 for the three and nine months ended December 31, 2023, respectively, compared with $5,866 and $17,222 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The decrease in accretion expense for both the three- and nine-month periods ended December 31, 2023, relative to the comparative periods was partially attributable to accretion expense recognized in the comparative periods related to deferred consideration payable in respect of the Etain Acquisition.
- Foreign exchange loss was $1,518 and $1,382 for the three and nine months ended December 31, 2023, respectively, compared with foreign exchange loss of $684 and gain $10,004 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. The foreign exchange movements were primarily attributable to foreign-denominated cash deposits held by the Company and certain of its subsidiaries.

Income Tax Recovery

The Company reported an income tax recovery of $14,216 for the three months ended December 31, 2023, compared with an income tax recovery of $432 for the same period last year. Income tax recovery was largely driven by current income tax recovery in certain of the Company's Canadian entities as a result of losses available for carryback, as well as deferred income tax recovery in certain of the Company's U.S. entities as a result of the impairment charge recognized in respect of the Company's brand and cannabis license rights intangible assets.

For the nine months ended December 31, 2023, the Company reported an income tax recovery of $15,428 compared with an income tax recovery of $2,916 for the year ended March 31, 2023. Income tax recovery for the nine-month period included a current tax expense of $39 related to the estimated taxable profits of Etain LLC, compared with a current tax expense of $743 for the year ended March 31, 2023.

Net Loss

Based on the foregoing, the Company reported a net loss of $47,316 and basic and diluted earnings per share ("**EPS**") of $(0.35) for the three months ended December 31, 2023, compared with a net loss of $9,891 and basic and diluted EPS of $(0.06) for the same period last year.

For the nine months ended December 31, 2023, the Company reported a net loss of $63,844 and basic and diluted EPS of $(0.47), compared with a net loss of $179,259 and basic and diluted EPS of $(1.09) for the year ended March 31, 2023.

Other Comprehensive Loss

The Company reported other comprehensive loss of $3,018 and $2,884 for the three and nine months ended December 31, 2023, respectively, compared with other comprehensive loss of $2,774 and $8,061 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively.

- 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 $2,281 and $2,286 for the three and nine months ended December 31, 2023, respectively, compared with a decrease of $3,073 and $2,813 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively. Please refer to Notes 14 and 28 in the Consolidated Financial Statements for additional information on the Company's other investments.
- The Company also reported a downward adjustment as a result of foreign currency translation of $737 and $598 for the three and nine months ended December 31, 2023, respectively, compared with an upward adjustment of $299 for the three months ended December 31, 2022, and downward adjustment of $5,248 for the year ended March 31, 2023.

Total Comprehensive Loss

Based on the foregoing, the Company reported a total comprehensive loss of $50,334 and $66,728 for the three and nine months ended December 31, 2023, respectively, compared with a total comprehensive loss of $12,665 and $187,320 for the three months ended December 31, 2022, and year ended March 31, 2023, respectively.

Summary of Quarterly Financial Information

The following table sets forth a summary of unaudited quarterly financial information for the last eight consecutive quarters. The Company started reporting revenue, cost of goods sold, and gross profit following the Initial Etain Closing, as discussed in "*Description of Business, Industry, and Strategy – U.S. Cannabis Platform – Strategic Shift to the U.S. Cannabis Market*". This quarterly financial information has been prepared in accordance with IFRS.

Summary Operating Results for the Three Months Ended[1]								
	Dec. 31, 2023	**Sep. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**	**Sep. 30, 2022**	**Jun. 30, 2022**	**Mar. 31, 2022**
Revenue, net	**$ 2,065**	**$ 1,697**	**$ 1,786**	**$ 1,728**	**$ 1,885**	**$ 1,853**	**$ 1,341**	**$ -**
Cost of goods sold	1,542	1,851	1,591	1,596	1,087	906	783	-
Fair value items	(1,097)	205	198	80	(15)	(58)	(36)	-
Gross profit (loss)	**(574)**	**51**	**393**	**212**	**783**	**889**	**522**	**-**
SG&A	5,524	4,804	5,306	5,332	4,801	4,840	5,529	3,804
Impairment	48,650	-	-	-	-	138,937	-	-
Operating loss	**(54,748)**	**(4,753)**	**(4,913)**	**(5,120)**	**(4,018)**	**(142,888)**	**(5,007)**	**(3,804)**
Other income (loss)	(6,784)	(3,785)	(4,289)	(19,437)	(6,305)	(1,557)	2,157	(12,212)
Loss before taxes	**(61,532)**	**(8,538)**	**(9,202)**	**(24,557)**	**(10,323)**	**(144,445)**	**(2,850)**	**(16,016)**
Income tax expense (recovery)	(14,216)	(1,152)	(60)	(987)	(432)	(2,121)	624	(2,273)
Net loss	**$ (47,316)**	**$ (7,386)**	**$ (9,142)**	**$ (23,570)**	**$ (9,891)**	**$ (142,324)**	**$ (3,474)**	**$ (13,743)**
Other comprehensive income (loss)	(3,018)	732	(598)	(1,128)	(2,774)	390	(4,549)	3,980
Total comprehensive loss	**$ (50,334)**	**$ (6,654)**	**$ (9,740)**	**$ (24,698)**	**$ (12,665)**	**$ (141,934)**	**$ (8,023)**	**$ (9,763)**
Basic EPS	$ (0.35)	$ (0.05)	$ (0.07)	$ (0.15)	$ (0.06)	$ (0.84)	$ (0.02)	$ (0.10)
Diluted EPS	$ (0.35)	$ (0.05)	$ (0.07)	$ (0.15)	$ (0.06)	$ (0.84)	$ (0.02)	$ (0.10)

(1) The comparative periods have been restated to align with the Company's presentation currency of the U.S. dollar.

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		
	Nine months ended Dec. 31, 2023	**Year ended Mar. 31, 2023**
Net cash flows from operating activities	$ (11,560)	$ (23,358)
Net cash flows from investing activities	17,407	(234,899)
Net cash flows from financing activities	(1,831)	18,892
Net increase (decrease) in cash[(1)]	**$ 4,016**	**$ (239,365)**
Effect of foreign exchange rate movements on cash held	403	(1,873)
Cash, beginning of fiscal period[(1)]	77,468	318,706
Cash, end of fiscal period	**$ 81,887**	**$ 77,468**
	As at Dec. 31, 2023	**As at Mar. 31, 2023**
Current assets	$ 98,246	$ 111,906
Non-current assets	120,831	149,912
Total assets	**$ 219,077**	**$ 261,818**
Current liabilities	$ 19,603	$ 6,828
Non-current liabilities	157,353	146,143
Total liabilities	**$ 176,956**	**$ 152,971**
Total shareholders' equity	**$ 42,121**	**$ 108,847**

(1) At the beginning of the fiscal period for the nine months ended December 31, 2023, the Company had $20,392 of surplus cash invested 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 $11,560 for the nine months ended December 31, 2023, compared with net cash used of $23,358 for the year ended March 31, 2023. Net loss for the nine months ended December 31, 2023, and the year ended March 31, 2023, was $63,844 and $179,259, respectively, and included numerous non-cash items (including the "Impairment of goodwill and intangible assets" charges discussed above for the nine months ended December 31, 2023, and year ended March 31, 2023), which are reflected in the Company's consolidated statements of cash flows in the Consolidated Financial Statements.

Net cash flows from investing activities

Net cash provided by investing activities was $17,407 for the nine months ended December 31, 2023, compared with net cash used in investing activities of $234,899 for the year ended March 31, 2023. For the nine months ended December 31, 2023, net cash provided by investing activities was primarily attributable to the movement of a portion of the Company's surplus cash from interest-earning investments with a maturity of greater than three months to interest-earning term deposits with a maturity of less than three months. For the year ended March 31, 2023, net cash used in investing activities was primarily attributable to the cash consideration paid pursuant to the Initial Etain Closing and Second Etain Closing.

Net cash flows from financing activities

Net cash used in financing activities was $1,831 for the nine months ended December 31, 2023, compared with net cash provided by financing activities of $18,892 for the year ended March 31, 2023. For the nine months ended December 31, 2023, net cash used in financing activities was primarily attributable to lease payments. For the year

ended March 31, 2023, net cash provided by financing activities was primarily attributable to the net proceeds received from the issuance of Convertible Note II, partially offset by the repurchase of Common Shares pursuant to the JWAM settlement agreement.

Commitments and Contingencies

Financial Obligations

As at December 31, 2023, 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	$ 8,528	$ 8,528	$ -	$ -	$ -
Lease liability[(1)]	22,215	2,868	5,730	4,618	8,999
Tenant Cost Contributions[(2)]	2,251	2,251	-	-	-
Convertible Notes[(3)]	172,514	-	-	172,514	-
Total financial obligations	**$ 205,508**	**$ 13,647**	**$ 5,730**	**$ 177,132**	**$ 8,999**

(1) Based on minimum lease payments related to the Company's Chestertown Facility; four retail dispensaries in New York; one commercial space in White Plains, New York, that the Company relocated its Yonkers medical dispensary to in February 2024; 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 December 31, 2023. Please see Note 15 in the Consolidated Financial Statements for additional details.
(2) Based on contractual capital contributions for the Flagship Facility. Please see Note 15 in the Consolidated Financial Statements for additional details.
(3) Assumes the principal balance as at December 31, 2023, 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 December 31, 2023. Please see Note 17 in the 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 payments for the Special License Fee discussed in Note 16 in the Consolidated Financial Statements and certain amounts related Excess Project Costs (as defined herein and discussed below), as the timing and/or amount for these items is only an estimate as at December 31, 2023. The Special License Fee is estimated to be $20,000 and is estimated to be payable as follows: $10,000 in 2024, $5,000 in 2025, and $5,000 in 2026. The Excess Project Costs (beyond what is already reflected in "Accounts payable and accrued liabilities") are estimated to be $7,728 and are estimated to be payable over the next 12 to 15 months.

Commitments

Chestertown construction costs

Pursuant to the terms of the Company's lease agreement for its Chestertown Facility, the Company committed to fund certain construction costs related to the Chestertown Expansion, which was substantially completed during the nine months ended December 31, 2023. As at December 31, 2023, the Company had recognized cumulative payments and payables related to this commitment of $4,943, of which $629 and $1,908 were recognized during the three and nine months ended December 31, 2023, respectively. These leasehold improvements (which include additional amounts that had not yet been paid as at December 31, 2023) are recognized within "Property, plant, and equipment" in the consolidated statements of financial position in the Consolidated Financial Statements. As at December 31, 2023, there were no remaining amounts related to this commitment.

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 December 31, 2023, the Company had made cumulative Tenant Cost Contributions of $2,233, of which $232 and $1,112 were made during the three and nine months ended December 31, 2023, respectively. The Tenant Cost Contributions have been recorded within "Other long-term assets" in the consolidated statements of financial position in the Consolidated Financial Statements 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**"). During the three months ended December 31, 2023, the project budget for the development of the Flagship Facility was revised such that the Excess Project Costs were estimated to be $10,743. 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). Accordingly, as at December 31, 2023, the Company recognized a liability of $3,015 within "Accounts payable and accrued liabilities" in the consolidated statements of financial position in the Consolidated Financial Statements. 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 $7,728 of Excess Project Costs beyond the $3,015 that was recognized as at December 31, 2023. 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 December 31, 2023, 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 nine months ended December 31, 2023, 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 December 31, 2023, working capital (calculated as the difference between the Company's current assets and current liabilities in its consolidated statements of financial position) was approximately $78,643, primarily attributable to the Company's cash balance of $81,887.

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 any necessary special licensing fees 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 December 31, 2023, 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 December 31, 2023.

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 Dec. 31, 2023	Three months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023	Year ended Mar. 31, 2023
Executive management				
Salaries and bonuses	$ 427	$ 636	$ 1,448	$ 2,229
Share-based compensation expense (recapture)	41	61	81	173
Board				
Director fees[(1)]	$ 222	$ 99	$ 659	$ 329
Special committee fees	69	-	74	-
Share-based compensation	4	126	16	484

(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 December 31, 2023, the Company had recognized an accrued liability of $247 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 nine months ended December 31, 2023. 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 December 31, 2023, the Company had recognized a related party receivable from The Hawthorne Collective of $122.

During the three and nine months ended December 31, 2023, the Company purchased cultivation materials and equipment for $45 and $141, respectively, 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 and facility 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 and nine months ended December 31, 2023, the Company recognized lease payments of $702 and $2,215, respectively, 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 December 31, 2023

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

On February 14, 2024, 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.

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.

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 Dec. 31, 2023	As at Apr. 29, 2024
Common Shares	136,170,638	136,261,487
Convertible Notes[(1)]	122,947,306	122,947,306
Stock Options	2,451,500	2,351,500
RSUs	550,249	459,400
PSUs	1,140,108	1,123,108
DSUs	218,540	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 17 in the Consolidated Financial Statements for additional information, as applicable, regarding the Hawthorne Investments.

As described in Note 18 in the Consolidated Financial Statements, as at December 31, 2023, 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.

On March 30, 2023, the Board passed a resolution to defer the anticipated March 31, 2023, RSU grant to non-employee directors for the service period of April 1, 2022, to December 31, 2022, and the anticipated March 31, 2023, DSU grant to non-employee directors for the service period of January 1, 2023, to March 31, 2023. Given the depressed trading price of the Common Shares, the Board determined that a grant would have resulted in a significant dilutive impact to shareholders and would be in excess of the maximum grants allowable under the Unit Plan. On May 15, 2023, 131,127 RSUs and 54,635 DSUs were issued in satisfaction of these deferred awards. The difference between the grant date values of these May 15, 2023, grants and the share-based compensation expense previously recognized by the Company for these service periods would be settled with the non-employee directors in cash. Please refer to Note 16 in the Consolidated Financial Statements for additional information.

OTHER INFORMATION

The Company has not paid dividends in the past and does not expect to pay dividends in the near future. The Company plans to reinvest any earnings it may generate in the Company to manage 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" below for information regarding the risks and uncertainties that could have a negative effect on the Company's future performance.

MATERIAL ACCOUNTING POLICY INFORMATION

The significant accounting policies used in preparing the Consolidated Financial Statements have been applied across all periods presented in the Consolidated Financial Statements, except as noted below.

Significant accounting policies applicable to the Company for the year ended December 31, 2023 are described below.

Foreign currency translation

Foreign currency transactions are translated into an entity's functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For consolidated entities with a functional currency different from the Company's presentation currency, assets and liabilities are translated to the presentation currency at the period end exchange rates, and the results of operations are translated at average exchange rates for the period. The resulting translation adjustments are recorded within other comprehensive income.

Business combinations

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

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

Cash and cash equivalents

Cash represents cash balances held with banks. Cash equivalents are highly liquid investments with original maturities of three months or less.

Short term investments

Short term investments include deposits with maturities between 90 and 365 days.

Inventory

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

Biological assets

The Company measures biological assets, which consist of cannabis plants, at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of internally-produced harvested cannabis and finished goods inventory after harvest. These costs are then recorded within cost of goods sold in the consolidated statements of loss and comprehensive loss on a systematic basis as final products are sold. Unrealized gains or losses arising from changes in fair value less costs to sell during the period are recorded in the consolidated statements of loss and comprehensive loss.

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

The Company capitalizes costs incurred after harvest to bring the products to their present location and condition in accordance with *IAS 2, Inventories*.

Financial instruments

The Company applies *IFRS 9, Financial Instruments* ("IFRS 9") in accounting for its financial instruments.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**") or fair value through other comprehensive income ("**FVTOCI**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL or FVTOCI are recognized immediately in the consolidated statements of loss and comprehensive loss.

Financial assets are derecognized when the contractual rights to the cash flow from the financial asset expire or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership are transferred. On derecognition of a financial asset, the difference between the carrying amount of the asset and the total consideration received is recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities are derecognized when obligations under the contract expire, are discharged, or are cancelled. On derecognition of a financial liability, any gain or loss on extinguishment is recognized in the consolidated statements of loss and comprehensive loss.

The Company accounts for its financial instruments under the following classifications:

• Cash and cash equivalents	Amortized cost
• Short term investments	Amortized cost
• Accounts receivable	Amortized cost
• Other receivables	Amortized cost
• Other investments	FVTPL or FVTOCI
• Accounts payable and accrued liabilities	Amortized cost
• Provision liability	Amortized cost
• Convertible notes	Amortized cost

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are subsequently measured at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that do not meet the criteria for being measured at amortized cost nor FVTOCI are measured at FVTPL.

In certain cases, the Company may make the following irrevocable designation/election at initial recognition of a financial asset, on an asset-by-asset basis:

- The Company may designate an equity investment that would otherwise be classified as FVTPL and that is neither held for trading nor a contingent consideration arising from a business combination to be classified as FVTOCI. Please refer to Note 14 in the Consolidated Financial Statements for the investments in equity instruments where the Company has made this designation/election.

Financial assets and liabilities at amortized cost

Cash and cash equivalents, short term investments, accounts receivable, other receivables, accounts payable and accrued liabilities, and provision liability are measured at amortized cost using the effective interest method less any allowance for impairment under the expected credit loss model (described below). Gains and losses are recognized in profit or loss when the assets are derecognized or impaired.

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss is included in the “Net changes in fair value of financial assets at fair value through profit or loss” line item (Note 14 in the Consolidated Financial Statements). Income such as dividends and interest earned on FVTPL financial assets is presented and disclosed separately in the consolidated statements of loss and comprehensive loss. Fair value is determined in the manner described in Note 28 in the Consolidated Financial Statements.

Financial assets at FVTOCI

Financial assets at FVTOCI are measured at fair value at the end of each reporting period. Any fair value gains or losses, net of income taxes, are recognized in other comprehensive income included in accumulated other comprehensive income or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in Note 14 in the Consolidated Financial Statements.

Impairment of financial assets

Expected credit losses (“**ECLs**”) represent a probability-weighted estimate of the present value of expected credit losses, discounted at the effective interest rate. The Company recognizes a loss allowance for ECLs on the following financial instruments that are not measured at FVTPL:

- Accounts receivable
- Interest and royalty receivable
- Other receivables

No impairment loss is recognized for investments in equity instruments accounted for under IFRS 9.

The quantum of ECLs is updated at each reporting date to reflect changes in the credit risk associated with each respective financial instrument since initial recognition.

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 estimation and application of forward-looking information requires significant judgement. The measurement of ECLs is primarily based on the product of the financial instrument’s probability of default (“**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 over the expected life of the instrument. The Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

The gross balance of a financial asset is written-off, and its corresponding ECL provision is derecognized, when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off when due. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made would be recognized in profit or loss at the time of recovery.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost are accounted for using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial liability to the amortized cost of a financial liability. The Company measures its accounts payable and accrued liabilities, and provision liabilities, at amortized cost.

Compound financial instruments

Compound financial instruments are instruments that contain both a financial liability (such as an obligation to make payments of principal and interest) and an equity component (such as an equity conversion feature). Compound financial instruments are accounted for by the issuer separately by their components.

Where the conversion option stipulates the issuance of a fixed number of an entity's own equity instruments, the financial liability component, which represents the obligation to pay principal and coupon interest on the convertible instrument in the future, is initially recognized at its fair value and subsequently measured at amortized cost using the effective interest method. The residual amount is accounted for as an equity instrument and is measured on the date of issuance as the difference between the fair value of the compound financial instrument and the fair value of the financial liability component. The equity component is not remeasured subsequent to initial recognition. On conversion or expiry, the carrying value of the equity component is transferred to share capital or contributed surplus, as applicable.

Transaction costs directly attributable to the compound financial instrument are allocated to the underlying components in proportion to their initial carrying amounts.

Accretion and interest expense related to the financial liability component is recognized in the consolidated statements of loss and comprehensive loss over the term to maturity using the effective interest rate. On conversion, the fair value of the financial liability is reclassified to equity and no gain or loss is recognized.

Property, plant, and equipment

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

Asset class	Depreciable life
Leasehold improvements	Lease term
Manufacturing equipment	2 to 10 years
Construction-in-progress assets	Lease term
Vehicles	5 years
Furniture and fixtures	2 to 10 years
Right-of-use assets	Lease term

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

between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

Intangible assets and goodwill

Finite life intangible assets

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

Asset class	Amortization method	Amortizable life
Brand	Straight-line	10 years
Cannabis license rights	Pattern of projected revenue	15 years
Term-based cannabis permits	Straight-line	2 years
Computer software	Straight-line	5 years

The estimated useful lives, residual values, and methods of amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate. The Company's finite life intangible assets are tested for impairment when circumstances indicate the carrying value may be impaired. The Company assesses whether indicators of impairment exist at each reporting date.

Goodwill

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

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

Associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but without control or joint control over those policies. The Company accounts for its in-substance equity investments in associates using the equity method of accounting. Investments in associates, such as convertible debentures, that do not meet the criteria of in-substance equity instruments are accounted for in accordance with the nature of the instrument.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is subsequently adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. To the extent that it exists, goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statements of loss and comprehensive loss reflect the Company's share of the results of operations of its associates. Any change in other comprehensive income or loss of those investees is presented as part of the Company's other comprehensive income or loss. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is presented in profit or loss in the consolidated statements of loss and comprehensive loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Company determines whether it is necessary to recognize any impairment losses on its investments in its associates. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, if any, and then recognizes the impairment charge within "Impairment of associates" in the consolidated statements of loss and comprehensive loss. The recoverable amount is the greater of the associate's value in use and FVLCD. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets, discounted to present value using a suitable discount rate.

Upon loss of significant influence over an associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment (plus proceeds from disposal, if any) is recognized in consolidated statements of loss and comprehensive loss.

Leases

A contract is or contains a lease if it conveys the right to control the use of an identified asset for a specified period in exchange for consideration. When the Company leases assets from third parties, the Company is the lessee. When the Company leases assets to third parties, the Company is the lessor.

Lessee

At the lease commencement date, a right-of-use asset for the underlying leased asset and corresponding lease liability are recognized in the consolidated statements of financial position measured on a present value basis. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company uses its incremental borrowing rate, which is the interest rate that the Company would pay to borrow funds to obtain an asset of a similar value to the right-of-use asset with a comparable security, economic environment, and term.

The right-of-use asset is included within "Right-of-use assets" and the lease liability is included in "Lease liability – current" and "Lease liability – non-current" in the consolidated statements of financial position. Right-of-use assets are measured based upon a number of factors, including:
the initial amount of the lease liability; and
lease payments made at or before the commencement date.

Lease liabilities are measured as the present value of non-cancellable payments over the lease term, which may include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate (including inflation-linked payments);
- amounts expected to be payable by the lessee under residual value guarantees;
- exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- penalty payments for terminating the lease, if the lease term reflects the lessee exercising that option.

Where exercise of renewal or termination options is deemed reasonably certain, such assumptions are reflected in the valuation of the lease right-of-use asset and liability. The reasonably certain assessment is made at the lease commencement date and re-assessed if there is a material change in circumstances supporting the assessment.

Lease payments are apportioned between the liability and a finance charge, which is reported within "Accretion and interest expense" in the consolidated statements of loss and comprehensive loss. The right-of-use asset is amortized over the shorter of the asset's useful life or the lease term on a straight-line basis and presented within "Cost of goods sold" or "Selling, general, and administrative expenses", as applicable, in the consolidated statements of loss and comprehensive loss.

The Company's applicable leases are property leases, for which fixed payments covering principal lease payments are included in the value of the right-of-use assets and lease liabilities. Non-lease components such as insurance, maintenance costs, property tax, and other operating expenses are expensed as incurred within "Cost of goods sold" or "Selling, general, and administrative expenses", as applicable, in the consolidated statements of loss and comprehensive loss.

Payments for leases with a term of 12 months or less and low-value leases, if any, are recognized on a straight-line basis within "Cost of goods sold" or "Selling, general, and administrative expenses", as applicable, in the consolidated

statements of loss and comprehensive loss and are not recognized prior to accrual in the consolidated statements of financial position.

Revenue

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

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

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

Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods 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 customer at either its medical dispensaries or delivery to a retail or wholesale customer. Revenue is presented net of discounts and sales tax (if applicable). As at December 31, 2023, the majority of the Company's revenue was derived from sales at medical cannabis dispensaries in New York.

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

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

Income taxes

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

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

Share-based compensation

Certain directors and employees of the Company are eligible to participate in long-term compensation plans under which they are eligible to purchase or receive Common Shares of the Company. The Company measures equity-settled share-based payments based on their fair value at the deemed grant date and recognizes compensation expense over

the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. Consideration paid by employees or directors on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based compensation reserves to share capital.

Certain employees of the Company are also eligible to participate in a cash-settled long-term incentive compensation pool that is based on appreciation of the Company's market capitalization over a defined period of time. As the pool is settled in cash, the related obligations are recorded as liabilities in the Company's consolidated statements of financial position. The fair value of the pool is measured at each reporting period, and an expense is recorded within "Selling, general, and administrative expenses" in the consolidated statements of loss and comprehensive loss to the extent employees have rendered services over the applicable vesting period.

Segment reporting

Operating segment

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

The Company's chief operating decision maker is represented by key management personnel. For management purposes, during the nine months ended December 31, 2023, the Company was organized into the following two main operating segments:

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

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

Geography

The Company operates in the U.S. and Canada. As at December 31, 2023, the Company had the following non-current assets by geography:

	U.S.	Canada
Non-current assets[1]	$ 107,003	$ 269

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

The Company's reported revenue, net of excise tax, of $5,548 for the nine months ended December 31, 2023, was entirely attributable to the U.S.

Non-controlling interest

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

The Company does not own a direct equity interest in Etain LLC, but has financial control over Etain LLC through a number of agreements that have been entered into between the Company's subsidiaries and Etain LLC. These agreements prevent Etain LLC from taking certain actions or omitting to take certain actions where to do so would be contrary to the future economic benefits that the Company expects to derive from its relationship with Etain LLC. Taken together, these agreements effectively devalue any future economic benefits that Etain LLC's members would have otherwise derived from their ownership interest in Etain LLC. Accordingly, the Company does not ascribe any value to the equity interest of Etain LLC that it does not directly own, and there is no non-controlling interest accounted for in the Company's consolidated statements of loss and comprehensive loss or in its consolidated statements of financial position.

Earnings per share

Basic earnings per share ("**EPS**") is calculated by dividing the net income (or loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method of calculating the weighted average number of common shares outstanding. The treasury stock method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period.

Accounting standards and amendments issued and adopted

Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*. The amendments require the disclosure of material accounting policies rather than significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has disclosed its material accounting policies in the consolidated financial statements.

Amendments to IAS 12, Deferred Taxes ("IAS 12")

In May 2021, the IASB issued amendments to IAS 12 that narrow the scope of certain recognition exceptions so that they no longer apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at that date. The amendment is effective for annual periods beginning on or after January 1, 2023. The Company's adoption of the IAS 12 amendment did not have a material impact on the Consolidated 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 adopted

The following new interpretations and amendments have been issued and are applicable for future annual reporting periods. The list includes standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

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 does not expect this amendment to have a material impact on its future consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Control

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

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

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

Business combinations

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

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

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

Impairment of goodwill and intangible assets

The carrying values of goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The Company tests for impairment of goodwill and intangible assets by comparing the carrying amount of the CGU to its recoverable amount, which is the greater of estimated FVLCD and value-in-use calculations that use a discounted cash flow model. The determination of the Company's CGUs is based on management's judgement.

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

Value-in-use calculations employ key assumptions regarding future cash flows, growth prospects, economic risks, and estimates of the Company's ability to achieve key operating metrics, among other items. The cash flows are derived

from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested.

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

Biological assets

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

Inventory

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

Estimated useful lives and depreciation and amortization of property, plant, and equipment and intangible assets

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

Fair value measurement and valuation process

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

In certain limited circumstances, the Company may consider cost to be an appropriate estimate of the fair value of an investment in equity instruments, such as when more recent information is not available or insufficient to measure fair value or there is a wide range of possible fair value measurements and cost represents the best estimate within that range. The Company uses all information about the performance and operations of the investee that becomes available after initial recognition of the financial asset to consider whether there are indicators that cost might not be representative of fair value, including significant changes in performance compared to plans or comparable entities, changes in the market or economy, changes in the valuations of comparable companies, or evidence from external transactions in the investee's equity.

When estimating the fair value of warrants held in private entities using a Black-Scholes option pricing model, the Company estimates the expected annual volatility based upon observed historical volatility for comparable public companies.

The identification of the components embedded within a convertible instrument requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The determination of fair value is also an area of significant judgement subject to various inputs, assumptions, and estimates, including, but not limited

to, contractual future cash flows, discount rates, credit spread volatility, probabilities of the occurrence and timing of potential future events, the presence of any derivative financial instruments, and equity price volatility.

Please refer to Notes 9, 13, 14, 17, and 28 in the Consolidated Financial Statements for additional details on the Company's fair value measurement.

Impairment of associates

Investments in associates are tested for impairment when there are indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Judgement is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

The impairment assessment in respect of an investment in an associate comprises two successive steps, as follows:

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

In determining the recoverable amount of an investment in an associate, various estimates are employed. The Company may determine recoverable amounts using such estimates as multiples for comparable operating companies for which public information is available, adjusted book values of the investee's assets and liabilities, or projected future cash flows, including pricing and production estimates and capital investment. When projected future cash flows are considered, the Company estimates discount rates based upon external industry information reflecting the risk associated with the specific cash flows.

Share-based compensation

In calculating share-based compensation expense, the Company utilizes the Black-Scholes option pricing model and Geometric Brownian Motion within a Monte Carlo simulation. These option pricing models employ key estimates such as the expected life of the options or term to payout, volatility of the Company's stock price, risk-free rate, and the Company's credit-adjusted risk-free rate.

Please refer to Note 18 in the Consolidated Financial Statements for additional details on the Company's measurement of share-based payments.

IRC 280E

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

Deferred Taxes

The Company recognizes deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable income, including expectations around capital gains. To the extent that future cash flow and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to utilize deferred tax assets.

Provisions for deferred tax liabilities are made using the best estimate of the amount expected to be paid based on an assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recognized, such differences will affect the tax provisions in the period in which such determination is made.

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 Consolidated Financial Statements; and (ii) the 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 Consolidated Financial Statements.

Management of the Company has separately filed on SEDAR+ the *Form 52-109FV1 Certification of Annual Filings Venture Issuer Basic Certificates* at the same time as having filed the 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 52-109FV1 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 14 and 28 in the 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" below 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 28 of the 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(d) in the 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 $739. 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 $739. 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 December 31, 2023, 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 15 in the 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 December 31, 2023, the Company held $81,012 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 December 31, 2023, all previously-held credit investments in its legacy portfolio investees have been disposed or written off.

As noted above, under IFRS 9, the Company is required to apply an 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 PD, LGD, and 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 December 31, 2023, the Company's financial liabilities are comprised of accounts payable and accrued liabilities, lease liabilities (Note 15 in the Consolidated Financial Statements), provision liability (Note 16), and the Convertible Notes (Note 17). Also as at December 31, 2023, the Company had commitments related to the Excess Project Costs (Note 19). Please refer to the referenced notes in the 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 it's 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 principals 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*" below 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 Rohrbacher Farr amendment effective through September 30, 2023. On September 29, 2023, President Biden signed a spending bill, officially called HR 5860, which extends the Rohrbacher 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*" below 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.

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 statue 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*" below 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 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
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*" below 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*" below, 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. In addition to the other information contained in this MD&A and the Company’s other public filings, the risk factors described below should be considered carefully. The events arising from these risks 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. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Additional risks not currently known to the Company, or which are deemed to be immaterial, may also impair the business operations, financial condition, or prospects of the Company.

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

Risks Relating to the Company’s Business and Industry

Business Strategy and Growth-Related Risk

The Company may be subject to growth-related risks as its business strategy involves seeking new investment and/or acquisition opportunities in the global cannabis industry, with a focus on opportunities in the U.S. cannabis market. Furthermore, the Etain Acquisition was the first step in the execution of the Company’s strategy, shifting from an investor in the cannabis value chain to a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. Prior to the Etain Acquisition, the Company had little or no direct operating experience in the U.S. cannabis sector. The Company’s shift in business strategy has required and will continue to require the Company to implement and improve its operational and financial systems and to train and manage its employee base, which could place a significant strain on the Company’s management, operations, financial resources and internal financial control and reporting functions. There can be no assurance that the Company will be able to respond adequately or quickly enough

to the changing demands that the shift in strategy will impose on management, employees and existing infrastructure. Changes to the operating structure of the Company may result in increased costs or inefficiencies that cannot be anticipated. As a result, the shift in business strategy may be less successful than expected or may take longer to implement and reach expected profit levels, or may never do so, thereby affecting the Company's overall growth and profitability.

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

Risks Associated with the Contractual Arrangements with Etain LLC

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

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

Acquisition and Integration Risks

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

Additionally, in the event that the Company chooses to raise debt capital to finance any future acquisitions, the Company's leverage will be increased. If the Company chooses to use equity as consideration for any such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

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

Risks Associated with being a Holding Company

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

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

Risks Associated with Compliance with Cannabis Laws, Regulations and Guidelines

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

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

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

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

The Company, Etain and the Investees will incur ongoing costs and obligations related to regulatory compliance. Compliance with applicable regulatory requirements may entail adopting corporate or transaction structures that are less efficient from a business, legal or tax perspective than would be the case in the absence of such regulatory requirements. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines

or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, court rulings or more stringent application of existing laws or regulations, may have a material adverse impact on the Company, Etain and/or the Investees, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities, or other significant changes in the Company's, Etain's and/or the Investees' business plans, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

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

No Control over Operations of Investees

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

Restrictions on Use of Proceeds from Investments from The Hawthorne Collective

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

Covenants under the Hawthorne Investments

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

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

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

The Hawthorne Collective may Exercise Significant Influence

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

As of the date of this MD&A, The Hawthorne Collective would be the Company's single largest shareholder upon conversion of the Convertible Notes. Subject to certain protections contained in the Hawthorne Investor Rights Agreement, The Hawthorne Collective would have the ability to substantially influence matters affecting shareholders or requiring shareholder approval, including the election of directors, amendments to the articles and bylaws of the Company, and the determination of significant corporate actions.

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

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

Risks Associated with Potential Business Opportunities Presented by The Hawthorne Collective

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

Risks Associated with the Conversion of the Convertible Notes

Subject to obtaining all applicable regulatory approvals, the Convertible Note I may be converted into Common Shares at the election of The Hawthorne Collective on a discretionary basis, or at the Company's discretion upon the later of: (i) August 24, 2023, and (ii) the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027. The Convertible Note II may be converted into Common Shares at the election of The Hawthorne Collective on a

discretionary basis, or at the Company's discretion at any time after the date on which federal laws in the U.S. are amended to allow for the general cultivation, distribution, and possession of cannabis, and prior to and including the close of business on August 24, 2027. The conversion of the Convertible Notes is subject to a number of conditions precedent, some of which are outside of the control of the Company, including receipt of any required regulatory approvals (including under the *Competition Act* (Canada) and/or the *U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976*), stock exchange approvals, and other conditions set out in the terms of the Convertible Notes.

There can be no certainty, nor can the Company provide any assurance, that the conditions precedent to allow the Company to force the conversion of the Convertible Notes will be satisfied, or that all conditions precedent to the conversion of the Convertible Notes themselves will be satisfied or waived, nor can there be any certainty of the timing thereof. In the event that the Convertible Notes are not converted on or prior to their respective maturity date, the Company will be required to repay all indebtedness owing under the Convertible Notes, including all principal and interest thereon. There can be no assurance that the Company will be able to refinance such indebtedness or that additional financing on commercially reasonable terms will be obtained, if at all. In the event that the Convertible Notes cannot be refinanced, or if they cannot be refinanced except on terms that are less favourable than the current terms, the Company's ability to carry on business could be materially adversely affected, which could negatively impact the market price of the Common Shares.

Risks of Registration Under Section 12(g) of the Exchange Act

The Company is required to test whether it qualifies as a foreign private issuer at the end of the Company's second fiscal quarter each year. On September 30, 2022, the end of the Company's second fiscal quarter during its fiscal year ended March 31, 2023, the Company determined that it no long qualified for foreign private issuer status as (i) a majority of the Company's directors or executive officers are U.S. citizens or residents; (ii) a majority of the Company's assets are located in the U.S.; or (iii) the Company's business is administered principally in the U.S. As such, the Company considered whether it would be required to register its Common Shares under Section 12(g) of the Exchange Act and comply with U.S. regulatory provisions relating to U.S. domestic issuers. Since that determination, on the last day of the Company's fiscal years (being March 31, 2023, and December 31, 2023), the Company determined it was not required to register its Common Shares under Section 12(g) of the Exchange Act, as the thresholds for Common Shares "held of record" (as such term is defined under Rule 12(g)5-1 under the Exchange Act) by either (a) 2,000 persons or (b) 500 persons who are not "accredited investors" (as such term is defined under Rule 501(a) under the Exchange Act) were not met.

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

If the Company determines that it must register under Section 12(g) as of December 31 a future year (the last day of the Company's fiscal year), the Company will not be eligible to use forms and rules designated for foreign private issuers beginning on January 1 of the following fiscal year.

Competition Risks

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

There is potential that the Company, Etain and the Investees will face intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources. Increased competition from larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company, Etain and the Investees. Certain of Etain's, and the Investees' competitors with longer operating histories may be further advanced in the licence application process and may have already secured licensing for significant amounts of production. The ability of Etain and/or the Investees to increase and/or maintain their production or other relevant business capacity, enter into supply agreements or develop sales channels is

uncertain. In the Canadian market, certain Investees may not be able to find buyers for their production in jurisdictions where provincial agencies will be responsible for the sale of cannabis and, even if they are able to enter into supply agreements with provincial agencies, they may not be able to negotiate favourable prices. If Etain and/or the Investees are unable to achieve their business objectives, such failure could materially and adversely affect the business, financial condition and results of operations of the Company. Moreover, competitive factors may result in the Company being unable to enter into desirable arrangements with new Investees or additional acquisition targets in the U.S. cannabis industry, to recruit or retain qualified employees or to acquire the capital necessary to fund its capital investments. Etain and/or the Investees may also face competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid licence. Existing or future competition in the cannabis industry could materially adversely affect the Company's prospects for providing growth capital for Etain and/or to the Investees in the future.

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

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

Reputational Risk

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

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

Cannabis Prices

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

The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry. In addition, the value of the Etain CGU Group may be affected as a result of changes in the prevailing market price of cannabis, which may have a material adverse effect on the ability of Etain to generate positive net cash flow or earnings.

Equity Price Risk

The Company may be exposed to equity price risk as a result of holding long-term investments in cannabis companies. Just as investing in the Company carries inherent risks, such as those set out in this MD&A, the Company faces similar inherent risks by investing in other cannabis companies, and accordingly may be exposed to the risks associated with owning equity securities in the Investees.

Risks Associated with Divestment and Restructuring

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

Risks Related to U.S. Cannabis Operations

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

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

Operating or investing in the U.S. cannabis industry may breach existing contractual covenants the Company has with any banking institutions, suppliers, or other third parties. In such circumstances, the Company would be required to amend the terms of or replace such agreements and enter into alternative arrangements. Any violation of the terms of such contractual covenants and the failure to enter into appropriate alternative arrangements would result in a breach of the applicable agreement, and accordingly, may have a material adverse effect on the business, operations, and financial condition of the Company. Please refer to "*Risk Factors - Risks Associated with Accessing Commercial Banking Services and Third-Party Service Providers***"** for additional information related to the risks described in this paragraph.

Cannabis is a Controlled Substance in the U.S.

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

As a result of the Sessions Memorandum, federal prosecutors have prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities and, as a result, it is uncertain how active federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

It remains unclear what specific impact the Biden administration will have on U.S. federal government cannabis enforcement policy, and there is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the U.S. Congress amends the CSA with respect to cannabis (and there can be no assurances as to the timing or scope of any such potential amendments) there is a risk that federal authorities may enforce current U.S. federal law, including in respect of the cultivation, distribution, sale and possession of cannabis.

While state laws may take a permissive approach to medical and/or adult-use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against individuals and companies operating in those states for activity that is legal under state law. If the Department of Justice opted to pursue a policy of aggressively enforcing U.S. federal law against owners, financiers or equity owners of cannabis-related businesses, then the Company or certain Investees could face (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers and/or investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

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

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

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

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

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

Prior to the Initial Etain Closing, the Company engaged in discussions with its service providers, including its prior auditor and any entities that provide commercial banking services to the Company, whose terms of service prohibit the

Company from making investments or acquisitions in the U.S. cannabis market and successfully completed certain required transitions to new service providers prior to the Initial Etain Closing. Notwithstanding the Company's efforts to secure service providers who permit investments and acquisitions in the U.S. cannabis market, the Company, Etain and certain Investees may have difficulty accessing the services of banks and processing credit card payments in the U.S., which may make it difficult for the Company, Etain and these Investees to operate.

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

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

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

Risks Associated with U.S. Cannabis Regulatory Requirements

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

The successful operation of the Etain business and execution of any future acquisition of a business operating in the U.S. cannabis industry is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and ensuring the Company obtains all regulatory approvals, where necessary, for the sale of its products, including maintaining and renewing all applicable licenses, permits and authorizations. The commercial cannabis industry is still a relatively new industry, and the Company cannot predict the impact of the compliance regime to which it may be subject in connection with the Company's investments in and acquisitions of companies in the U.S. cannabis industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for any of the products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company. Without limiting the foregoing, failure to comply with the requirements of any underlying licenses or any failure to maintain any underlying licenses would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantees that any required licenses for the operation of the applicable business will be extended or renewed in a timely manner, if at all, or that if they are extended or renewed, that the licenses will be extended or renewed on the same or similar terms.

2018 Farm Bill Risks

On December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the U.S. Under the 2018 Farm Bill, industrial hemp is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a

delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis.” The USDA has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the USDA to review and approve any state-promulgated regulations relating to industrial hemp. On October 29, 2019, the USDA issued interim final regulations that impose certain testing and other requirements in order to assure that crops to be sold as industrial hemp will meet the statutory limitations. On February 27, 2020, the USDA announced that it would delay enforcement of certain requirements of the interim final regulations pertaining to analytical testing and disposal requirements until October 31, 2021, or publication of the final rule, whichever occurred first. On January 11, 2021, the USDA announced the final regulations, with an effective date of March 22, 2021. The final regulations generally track the interim final regulations, though with some modifications.

Further, under the 2018 Farm Bill, the FDA retained its authority to regulate products containing cannabis or cannabis-derived compounds, including CBD, under the FDCA and section 351 of the Public Health Services Act. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products sold in interstate commerce, including the marketing of such products, through its enforcement authority pursuant to the FDCA. Because cannabis is federally illegal to produce and sell, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has issued numerous enforcement letters under its FDCA authority with regard to industrial hemp-derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses.

On May 31, 2019, the FDA held its first public meeting to discuss the regulation of cannabis-derived compounds, including CBD. The meeting included stakeholders across academia, agriculture, consumer, health professional, and manufacturer groups, and was intended to explore new pathways for hemp-derived CBD to be sold legally in the food and supplement markets, while protecting research into future pharmaceutical applications. The FDA has expressed an interest in fostering innovation regarding the development of products containing hemp-derived compounds such as CBD; however, the FDA has indicated that those actions will have to fit under the confines of current law and further legislation will likely be required. In November 2019, the FDA issued guidance and a description of its activities, in which the FDA stated that only hemp seed oil, hulled hemp seed, and hemp seed powder were GRAS as ingredients in food, and that CBD and THC were not GRAS. In the guidance, the FDA has taken the position that a food product or dietary supplement containing CBD would be “adulterated” and could not legally be marketed in the U.S. The FDA has continued to issue warning letters to manufacturers of food or dietary supplements that are labeled as including CBD. The FDA has approved one prescription drug containing CBD and has taken the position that no other product can be marketed as containing CBD without approval as a new drug.

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

CSA Schedule Classification of Cannabis Risks

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

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

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

Lack of Access to U.S. Bankruptcy Protections

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

Additionally, there is no guarantee that the Company will be able to effectively enforce its interests in the Investees. A bankruptcy or other similar event related to an investment of the Company that precludes a party from performing its obligations under an agreement may have a material adverse effect on the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

Heightened Scrutiny by Canadian Authorities

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

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

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

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

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

Difficulty Reselling Common Shares

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

Intellectual Property Risks

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

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

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

Under the above laws, the Company, Etain and/or the applicable Investees may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. The U.S. federal prohibitions on the sale of cannabis may result in the Company and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. Such risks increase costs to the Company and its ability to handle any revenue received.

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

Risk of Entry Bans into the U.S.

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

Restrictions on the Acquisition or Use of Properties by Foreign Investors

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

Changes in Tax Law

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

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

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

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

Risks Relating to the Securities of the Company

Additional Financing Risk

The continued growth and development of the Company, including through follow-on investments in the Investees and/or for Etain to support their business objectives, may require additional financing. The failure by the Company to raise such capital could result in the delay or indefinite postponement of the Company's, Etain's and/or the Investees' current business plans, the decrease in value of an Investee or Etain to the Company, or the Company, Etain and/or the Investee going out of business. Relatedly, the failure of the Company to provide additional financing to Investees could result in Investees raising additional funds themselves through issuances of equity or convertible debt securities, which could cause the Company to suffer significant dilution. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Debt financing often includes restrictive covenants on the operations of the borrower. Any debt financing obtained in the future could involve restrictive covenants relating to financial and operational matters, which may adversely impact the Company's business model, financial situation, and other financial and operational matters. The Company may require additional financing to fund its operations to the point where it is generating positive net cash flows. Negative net cash flow may restrict the Company's ability to pursue its business objectives.

Although the Company has accessed financing in the past, there is neither a broad nor deep pool of institutional capital that is available to companies in the U.S. cannabis industry. Due to the current laws and regulations governing financial institutions in the U.S., banks often refuse to provide services to businesses involved in the cannabis industry, U.S. operators are currently not permitted to list securities on the U.S. exchanges and U.S. investors and banks are reluctant to provide financing to U.S. operators such as the Company. Consequently, it may be difficult for the Company to obtain

additional financing in the U.S. There can be no assurance that additional financing, if raised, will be available to the Company when needed or on terms which are acceptable.

Volatility of the Common Share Price

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

Risks of a Significant Shareholder

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

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

Dividend Policy

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

General Risks

Adverse Developments with respect to Financial Institutions and Associated Liquidity

The global economic slowdown, inflation, rising interest rates and the prospects for recession, as well as recent and potential future disruptions in access to bank deposits or lending commitments due to bank failure, could materially and adversely affect our liquidity, our business and financial condition. The recent closures of Silicon Valley Bank and Signature Bank and their placement into receivership with the FDIC have identified bank-specific liquidity risks and concerns. Although the Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at Silicon Valley Band and Signature Bank would have access to their funds, even deposit amounts that exceed FDIC deposit insurance limits, future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages. The failure of any bank in which the Company, Etain or the Investees has deposited funds could reduce the amount of cash the Company has available for its operations or delay its ability to access such funds. Any such failure may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. Neither the Company nor Etain currently has a commercial relationship with a bank that has failed, nor has the Company or Etain experienced delays or other issues in meeting financial obligations. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking

system and financial markets, the Company's ability to access cash and cash equivalents and investments may be threatened and could have a material adverse effect on the Company's business operations and financial condition.

Limited Operating History

The Company has a limited history of operations, in particular as a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. Accordingly, the Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources, and lack of income. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful and its likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's operating income and access to capital are not able to support its operating and investing activities, the Company may not generate positive net cash flow. There is no assurance that future income will be sufficient to generate the funds required to continue operations without external funding.

Conflicts of Interest

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

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

Dependence upon Key Personnel

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

Insurance Risks

While the Company currently maintains insurance coverage, there are exclusions and additional difficulties and complexities associated with insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the business, results of operations, and profitability of the Company. The cost of insurance coverage

may increase and may even become unavailable as the Company continues to invest in or acquire cannabis companies operating in the U.S. There is no assurance that the Company will be able to obtain or maintain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

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

Litigation Risks

The Company, Etain and/or the Investees may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business, including class action litigation.

If the Company, Etain or an Investee were to be unable to resolve these disputes favourably, it may have a material adverse effect on the Company, Etain and/or the Investee. Even if the Company, Etain and/or the Investee successfully defends against a purported class action and/or is involved in litigation and wins, litigation can redirect significant resources and/or divert management's attention, and the legal fees and costs incurred in connection with such activities may be significant. Additionally, the Company, Etain and/or the Investee may be subject to judgements or enter into settlements of claims for significant monetary damages. Such litigation may also create a negative perception of the Company, Etain and/or the Investee. Any decision resulting from any such litigation that is adverse to the Company, Etain or an Investee could have a negative impact on the Company's business, financial results and operations.

Cybersecurity and Privacy Risks

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

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

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

PFIC Classification Risks

The Company believes that it meets the requirements to be considered a PFIC within the meaning of the U.S. Internal Revenue Code for the transition year ended December 31, 2023. Accordingly, certain potentially adverse U.S. federal income tax rules may cause U.S. federal income tax consequences for the Company's U.S. investors resulting from the acquisition, ownership and disposition of Common Shares.

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

Fluctuations in Currency Exchange Rates

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

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

General Tax Risks

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

It is not known or determinable by the Company when any audits or reassessment by the Canada Revenue Agency or other applicable tax authorities of transactions will be initiated or issued, or the basis, quantum, or timing of any such reassessments or the ultimate outcome therefrom, and the tax liability resulting to the Company or its subsidiaries from any transactions may materially adversely depend on actions, omissions, or events not within their control. As a result, it is not practicable for the Company to estimate the financial effect, if any, of any ongoing or future audits, assessments or reassessments. From time to time there may also be proposed legislative changes to law or outstanding legal actions that may have an impact on applicable law or jurisprudence, the outcome, applicability, and impact of which is also not known or determinable by the Company, but which may have a material adverse effect on the Company or the price of the Common Shares.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The Company's, Etain's and the Investees' respective businesses may be negatively impacted by several events which are beyond their control, including cyber-attacks, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other catastrophes. While the Company has implemented a risk management system, including business continuity, crisis management and disaster recovery planning, such events can evolve rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe the Company's, Etain's or the Investees' operations and ability to carry on business will not be disrupted. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the COVID-19 pandemic, or actual or threatened war, such as Russia's recent invasion of Ukraine,

which has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, or fear of any of the foregoing, could have a destabilizing effect on global economies generally and adversely impact the Company, Etain and the Investees. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. These events may also further magnify the impact of the other risks identified in this MD&A and could have a material adverse effect on the financial condition, operating results and cash flows of the Company, Etain and the Investees.

Challenging Global Financial Conditions

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

Unknown Defects and Impairments

Under IFRS, the carrying values of goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. The Company tests for impairment of goodwill and intangible assets by comparing the carrying amount of the CGU to its recoverable amount, which is the greater of estimated fair value less costs of disposal and value-in-use calculations that use a discounted cash flow model. The determination of the Company's CGUs is based on management's judgement.

During the three months ended December 31, 2023, the Company recognized impairment of goodwill and intangible assets of $48,650 related to its Etain CGU Group, as further described under "Results of Operations" above. These impairment charges are in addition to previously disclosed impairment charges of $138,937 on its Etain CGU Group recognized during the three months ended September 30, 2022.

Any further impairment could have a material adverse effect on the Company and its financial condition. In addition, investing in and/or acquiring businesses involves numerous risks (see "Risk Factors – Acquisition and Integration Risks" and "Risk Factors – Risks Associated with Investing in or Acquiring United States Cannabis Business"). The Company's business strategy, including its acquisition strategy, may not be successful and it has written down, and may in the future need to write down, the goodwill and intangible assets recognized in connection with acquisitions.

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

Risks Inherent in Strategic Alliances and Investments

The Company may in the future enter into further strategic alliances with third parties that it believes will complement or augment its existing business. The Company's ability to form strategic alliances is dependent upon, and may be limited by, the availability of suitable counterparties and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and/or may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Strategic alliances could result in the incurrence

of additional debt, costs and/or contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

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

Risks Associated with Material Contracts

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

Credit and Liquidity Risk

The Company is exposed to counterparty risks and liquidity risks including, but not limited to: (i) through Investees that experience financial, operational or other difficulties, including insolvency, which could limit or suspend those Investees' ability to perform their obligations under agreements with the Company, cause the lenders of the Investees to enforce the Company's guarantee of such Investees' debt obligations, if any, or result in the impairment or inability to recover the Company's investment in an Investee; (ii) through financial institutions that may hold the Company's cash and cash equivalents; (iii) through companies that have payables to the Company; (iv) through the Company's insurance providers; and (v) through the Company's lenders, if any. The Company may also be exposed to liquidity risks in meeting its operating expenditure requirements and complying with affirmative covenants it has provided in certain agreements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the price of the Common Shares could be adversely affected.

In the event that an Investee were to experience financial, operational, or other difficulties, then that Investee may cease operations or become insolvent. These and any other adverse financial or operational impacts on an Investee may also have a material adverse effect on the Company's business, financial condition, and results of operations. In addition, there is no assurance that the Company will be successful in enforcing its rights under any security or guarantees provided to the Company, if any.

Security over Underlying Assets

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

The Company's security interests, if any, may be subject to enforcement and insolvency laws of foreign jurisdictions that differ significantly from those in Canada, and the Company's security interests may not be enforceable as

anticipated. Further, there can be no assurance that any judgments obtained in Canadian courts will be enforceable in any of those jurisdictions. If the Company is unable to enforce its security interests, there may be a material adverse effect on the Company. Moreover, the Company may not be able to negotiate a security interest, or the perfection or registration of such security may be cost prohibitive.

Inflation

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

Hedging Risk

The Company may enter hedging arrangements. Hedging involves certain inherent risks including: (i) credit risk: the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counterparty is able to offer the Company; (ii) market liquidity risk: the risk that the Company has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and (iii) unrealized fair value adjustment risk: the risk that, in respect of certain hedging products, an adverse change will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates.

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect the Company from adverse changes in price fluctuations, it may also prevent the Company from fully benefitting from positive changes in price fluctuations.

Internal Controls

The Company is responsible for establishing and maintaining adequate ICFR, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's system of ICFR is not guaranteed to provide absolute assurance regarding the reliability of financial reporting and financial statements and may not prevent or detect misstatements. Management of the Company has separately filed on SEDAR the Form 52-109FV1 Certification of Annual Filings Venture Issuer Basic Certificates. In contrast to the certificate required under NI 52-109, the venture issuer certificate on Form 52-109FV1 does not include representations relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may have a material adverse effect on the business, financial condition and results of operations of the Company or the market price of the Common Shares.

In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report financial performance on a timely basis, which could cause a decline in the price of the Common Shares, harm the Company's ability to raise capital and jeopardize the Company's stock exchange listing. Delisting of the Common Shares would reduce the market liquidity of the Common Shares, which would increase the volatility of the price of the Common Shares.

Furthermore, the Company is dependent upon the quality of financial information provided to it by certain Investees and Etain LLC, respectively, which in turn is dependent upon adequate internal controls over financial reporting within the Investees' and Etain LLC's respective finance functions. While the Company works closely with the Investees and Etain LLC, respectively, with respect to receiving, analyzing and querying the financial information received, or to be

received, there can be no assurance that the financial information provided by Investees or Etain LLC, respectively, is, or will be, accurate and free of material misstatement or fraud. Should the financial information provided by Investees or Etain LLC, respectively, be materially incorrect, the Company may be required to re-file its financial statements, which could also cause investors to lose confidence in the Company's reported financial information, which in turn could also result in a reduction in the trading price of the Common Shares.

The Company previously disclosed certain significant deficiencies in Etain LLC's ICFR. A significant deficiency is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a company's financial reporting. Since the time of that disclosure, management has taken steps to address and remedy the deficiencies identified, which the Company believes will address their underlying causes, including planning to implement a new enterprise resource planning ("**ERP**") system for financial reporting, introducing new standard operating procedures, and implementing new review controls. The Company has also hired additional personnel with requisite skills in both accounting and ICFR, and is evaluating the longer term resource needs of the Company's various financial functions, particularly in light of the anticipated growth of the business. These actions are subject to continued management review, supported by confirmation and testing, as well as Audit Committee oversight.

The Company does not expect that the DC&P and ICFR will prevent all errors or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in the Company's reported financial information and result in a reduction in the trading price of the Common Shares.

Corruption and Fraud Risk

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

Canadian Anti-Money Laundering Laws and Regulation Risks

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

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

Anti-Bribery Law Risks

The Company's business is subject to Canadian laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is or will be subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Company's employees or other agents may, without its knowledge and despite its efforts,

engage in prohibited conduct under the Company's policies and procedures and anti-bribery laws for which the Company may be held responsible. The Company's policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that the Company's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its or the Investees' affiliates, employees, contractors or agents. If the Company's, Etain's or the Investees' employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

Enforcement of Judgements Against Non-Canadian Directors and Officers

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

Risks Relating to the Businesses of Etain and the Investees

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

Reliance on Licences

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

Failure to Obtain Necessary Licences

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

Operating Risks

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

Reliance on Etain and Investee Facilities

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

Compatibility of Existing Technologies in Cannabis

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

Testing and Trials

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

Expansion into Foreign Jurisdictions

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

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

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

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

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

Production Forecasts

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

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

Customer Acquisitions

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

Constraints on Marketing Products

The development of the Investees' and Etain's respective businesses, financial condition and operating results may be hindered by applicable restrictions on sales and marketing. The regulatory environment in Canada, the U.S. and in foreign jurisdictions limits the Investees' and Etain's respective abilities to compete for market share in a manner similar to other industries. If the Investees and Etain are unable to effectively market their respective products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for their respective products, the Investees' and Etain's sales and operating results could be adversely affected, which, in turn, could have a materially adverse effect on the Company's business, financial condition and operating results.

Risks Inherent in an Agricultural Business

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

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

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

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

Wholesale Price Volatility

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

Risks Regarding Vaping Products

On October 4, 2019, the FDA issued a warning to the public to stop using vaping products containing THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. These warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers in the U.S. There have also been reported cases in Canada of lung injuries associated with the use of cannabis derivatives containing vaping liquid. Governments and the private sector may take further actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. For instance, the provincial governments in Quebec and Newfoundland have already imposed provincial regulatory restrictions on the sale of cannabis vape products. These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the vaping products of certain Investees and Etain. Federal, provincial, and local regulations or actions that prohibit or restrict the sale of the vaping products of certain Investees and Etain, including cannabis derivative vaping liquids, or that decrease consumer demand for these products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact certain Investees, Etain and the Company.

Product Recalls

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

Product Liability

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

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

Slow Acceptance of Investee or Etain Products

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

Environmental and Employee Health and Safety Regulations

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

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

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

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

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

Reliance on Key Inputs

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

Dependence on Suppliers and Labour

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

Research and Development

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

Rapid Technological Change

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

Intellectual Property Risks

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights of the Investees and Etain are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use certain Investees' and Etain's respective products, technology, inventions, trade secrets, trademarks, technical know-how and proprietary information. Policing the unauthorized use of current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult and the Investees may be unable to effectively monitor and evaluate the intellectual

property used by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. Additionally, if the steps taken to identify and protect intellectual property rights are deemed inadequate, the Investees may have insufficient recourse against third parties for enforcement of their intellectual property rights.

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

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

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

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

Vulnerability to Rising Energy Costs

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

Transportation Risks

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

on the business, financial condition and prospects of these Investees, Etain and the Company, as well as the Investees' and Etain's ability to continue operating.