RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

(In United States Dollars)

The accompanying unaudited condensed interim consolidated financial statements of RIV Capital Inc. have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by RIV Capital Inc.'s auditors.

RIV CAPITAL INC.

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UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in US $000's)	Notes		As at September 30, 2024		As at December 31, 2023
Assets					
Current assets					
Cash and cash equivalents	4	$	50,701	$	81,887
Accounts receivable			744		87
Inventory	5		9,692		10,408
Biological assets	6		545		750
Income tax receivable	19		-		3,681
Prepaid expenses and deposits			217		1,212
Other current assets			29		221
			61,928		**98,246**
Right-of-use assets, net	7		12,235		13,277
Property, plant, and equipment, net	7		18,125		10,820
Intangible assets, net	8		10,870		80,142
Other investments	10, 23		15,923		13,505
Other long-term assets	11		2,942		3,033
Deferred tax assets	19		2,885		54
			62,980		**120,831**
Total assets		**$**	**124,908**	**$**	**219,077**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	15	$	4,913	$	8,528
Income tax payable	19		569		-
Deferred revenue			58		-
Lease liability - current	11		1,388		1,320
Short term provision liability	12		4,903		9,755
			11,831		**19,603**
Lease liability - non-current	11		12,758		13,380
Deferred tax liabilities	19		9,372		25,219
Long term provision liability	12		9,099		9,148
Convertible notes	13		117,691		109,324
Other long-term liabilities			-		282
			148,920		**157,353**
Total liabilities			**160,751**		**176,956**
Shareholders' equity					
Share capital	14		209,461		209,038
Contributed surplus			45,686		45,686
Reserves			77,112		77,523
Accumulated other comprehensive income			92,366		93,713
Deficit			(460,468)		(383,839)
Total shareholders' equity			**(35,843)**		**42,121**
Total liabilities and shareholders' equity		**$**	**124,908**	**$**	**219,077**

Commitments and contingencies (Note 15)

Subsequent events (Note 24)

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

		Three months ended		Nine months ended	
(Expressed in US $000's, except for per share amounts)	Notes	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue, net	16	$ 4,859	$ 1,697	$ 10,786	$ 5,211
Cost of goods sold		5,737	1,851	12,571	5,038
Gross profit excluding fair value items		**(878)**	**(154)**	**(1,785)**	**173**
Unrealized gain (loss) on changes in fair value of biological assets	6	(520)	214	(598)	493
Realized fair value amounts included in inventory sold		238	(9)	271	(10)
Gross profit		**(1,160)**	**51**	**(2,112)**	**656**
Operating expenses					
Selling, general, and administrative expenses	17	4,583	4,804	16,613	15,442
Impairment of intangible assets	8	67,372	-	67,372	-
Operating loss		**(73,115)**	**(4,753)**	**(86,097)**	**(14,786)**
Other income (loss)					
Accretion and interest expense	11,12,13	(4,185)	(3,588)	(12,093)	(10,378)
Foreign exchange gain (loss)	4	(402)	1,600	1,398	99
Litigation settlement expense	18	-	-	-	(16,014)
Share of loss from associates	9	-	(13)	-	(831)
Impairment of associates	9	-	(323)	-	(530)
Net change in fair value of financial assets at fair value through profit or loss	10	308	(1,466)	533	(1,573)
Other income, net	4	447	5	1,814	1,716
Loss before taxes		**(76,947)**	**(8,538)**	**(94,445)**	**(42,297)**
Income tax recovery	19	(13,588)	(1,152)	(17,816)	(2,199)
Net loss		**$ (63,359)**	**$ (7,386)**	**$ (76,629)**	**$ (40,098)**
Other comprehensive income (loss) not subsequently reclassified to net loss					
Net change in fair value of financial assets at fair value through other comprehensive income, net of tax expense (recovery) of $nil and $29 (2023 - $39 and $(178))	10	(518)	256	(1,866)	(1,165)
Other comprehensive income (loss) subsequently reclassified to net loss					
Foreign currency translation adjustment		(814)	476	519	171
Total comprehensive loss		**$ (64,691)**	**$ (6,654)**	**$ (77,976)**	**$ (41,092)**
Net loss per share - basic	20	**$ (0.46)**	**$ (0.05)**	**$ (0.56)**	**$ (0.28)**
Net loss per share - diluted	20	**$ (0.46)**	**$ (0.05)**	**$ (0.56)**	**$ (0.28)**

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

RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US $000's)	Notes	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows used in operating activities			
Net loss		$ (76,629)	$ (40,098)
Adjustments for non-cash items:			
Unrealized (gain) loss on changes in fair value of biological assets	6	598	(493)
Realized fair value amounts included in inventory sold		(271)	10
Inventory write-down	5	4,545	693
Share-based compensation expense	14,17	222	240
Depreciation and amortization	17	1,386	1,198
Impairment of intangible assets	8	67,372	-
Accretion and interest expense	11,12,13	12,093	10,378
Foreign exchange gain	4	(1,398)	(99)
Share of loss from associates	9	-	831
Impairment of associates	9	-	530
Net change in fair value of financial assets at fair value through profit or loss	10	(533)	1,573
Loss on dispositions of fixed assets	7	116	-
Change in provision for credit losses		7	1,099
Gain on derecognition of right-of-use assets		(13)	-
Deferred income tax recovery	19	(18,461)	(1,380)
Changes in working capital	21	(1,861)	(3,639)
Net cash used in operating activities before income taxes		(12,827)	(29,157)
Income taxes received (paid), net	19	3,534	(417)
Net cash used in operating activities		**$ (9,293)**	**$ (29,574)**
Cash flows used in investing activities			
Purchase of property, plant, and equipment	7	(9,849)	(5,191)
Purchase of intangible assets	8	(5,024)	(40)
Investment in other financial assets	10	(4,000)	-
Disposition of other financial assets		-	72
Investment in other long-term assets	11	(792)	(16)
Cash consideration paid in business acquisitions, net of cash acquired		-	(147)
Net cash used in investing activities		**$ (19,665)**	**$ (5,322)**
Cash flows used in financing activities			
Shares repurchased and cancelled pursuant to settlement agreement	18	-	(3,986)
Proceeds from exercise of stock options	14	3	-
Payment of lease principal	11	(2,036)	(1,731)
Net cash used in financing activities		**$ (2,033)**	**$ (5,717)**
Net decrease in cash		$ (30,991)	$ (40,613)
Effect of foreign exchange rate movements on cash held		(195)	8
Cash, beginning of period		81,887	125,601
Cash, end of period		**$ 50,701**	**$ 84,996**

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RIV CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US $000's, except for share amounts)	Number of Class A Common Shares	Share capital	Contributed surplus	Reserves: Share-based compensation	Reserves: Convertible notes	Deficit	Accumulated other comprehensive income	Shareholders' equity
Balance at March 31, 2023	**135,617,313**	**$ 208,594**	**$ 45,686**	**$ 14,432**	**$ 63,533**	**$ (319,995)**	**$ 96,597**	**$ 108,847**
Redemption of restricted share units	142,778	46	-	(46)	-	-	-	-
Redemption of performance share units	410,547	204	-	(204)	-	-	-	-
Restricted share units and deferred share units previously reserved but not issued	-	-	-	(335)	-	-	-	(335)
Share-based compensation (options)	-	-	-	62	-	-	-	62
Share-based compensation (restricted share units)	-	-	-	-	-	-	-	-
Share-based compensation (performance share units)	-	-	-	65	-	-	-	65
Share-based compensation (deferred share units)	-	-	-	16	-	-	-	16
Change in deferred taxes – share issuance costs	-	194	-	-	-	-	-	194
Net loss	-	-	-	-	-	(63,844)	-	(63,844)
Other comprehensive loss	-	-	-	-	-	-	(2,286)	(2,286)
Foreign currency translation adjustment	-	-	-	-	-	-	(598)	(598)
Balance at December 31, 2023	**136,170,638**	**$ 209,038**	**$ 45,686**	**$ 13,990**	**$ 63,533**	**$ (383,839)**	**$ 93,713**	**$ 42,121**
Balance at December 31, 2023	**136,170,638**	**$ 209,038**	**$ 45,686**	**$ 13,990**	**$ 63,533**	**$ (383,839)**	**$ 93,713**	**$ 42,121**
Exercise of stock options	50,000	8	-	(4)	-	-	-	4
Redemption of restricted share units	194,561	214	-	(214)	-	-	-	-
Redemption of performance share units	341,204	218	-	(218)	-	-	-	-
Share-based compensation (options)	-	-	-	4	-	-	-	4
Share-based compensation (performance share units)	-	-	-	(5)	-	-	-	(5)
Share-based compensation (restricted share units)	-	-	-	9	-	-	-	9
Share-based compensation (deferred share units)	-	-	-	17	-	-	-	17
Change in deferred taxes – share issuance costs	-	(17)	-	-	-	-	-	(17)
Net loss	-	-	-	-	-	(76,629)	-	(76,629)
Other comprehensive loss	-	-	-	-	-	-	(1,866)	(1,866)
Foreign currency translation adjustment	-	-	-	-	-	-	519	519
Balance at September 30, 2024	**136,756,403**	**$ 209,461**	**$ 45,686**	**$ 13,579**	**$ 63,533**	**$ (460,468)**	**$ 92,366**	**$ (35,843)**

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

1. DESCRIPTION OF BUSINESS

RIV Capital Inc. (the "Company" or "RIV Capital") is the direct parent company of RIV Capital US Corporation and exercises financial control over Etain, LLC ("Etain LLC"). The Company is a publicly-traded corporation listed on the Canadian Securities Exchange under the trading symbol "RIV". RIV Capital is a firm dedicated to developing a leading multi-state platform with a strong portfolio of cannabis brands focused on key strategic markets in the United States ("U.S."). RIV Capital operates Etain (as defined herein), a vertically-integrated cannabis operator in the State of New York.

On August 24, 2021, the Company closed the purchase by The Hawthorne Collective Inc. ("The Hawthorne Collective"), a cannabis-focused subsidiary of The Scotts Miracle-Gro Company ("ScottsMiracle-Gro"), of a $150,000 (C$188,475) unsecured convertible promissory note (the "Convertible Note I") issued by RIV Capital (the "Initial Hawthorne Investment"). The Initial Hawthorne Investment established RIV Capital as The Hawthorne Collective's preferred vehicle for cannabis-related investments not currently under the purview of The Hawthorne Gardening Company (a separate subsidiary of ScottsMiracle-Gro). Furthermore, in connection with the Etain Acquisition (as defined herein), on April 22, 2022, the Company closed the purchase by The Hawthorne Collective of a second unsecured convertible promissory note of the Company (the "Convertible Note II" and, together with the Convertible Note I, the "Convertible Notes") in the principal amount of $25,000 (C$31,272) (the "Second Hawthorne Investment" and, together with the Initial Hawthorne Investment, the "Hawthorne Investments") pursuant to rights existing under the Initial Hawthorne Investment. Please refer to Note 13 for additional information on the Hawthorne Investments.

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"), payable through a combination of cash and newly issued Common Shares (as defined herein). The acquisition of the Etain business represented a significant strategic shift for RIV Capital, transitioning from an investor in the cannabis value chain to a full-fledged operator of licensed cannabis cultivation and dispensary facilities in the U.S. The initial closing of the Etain Acquisition, whereby the Company acquired 100% of the membership interests of Etain IP and obtained financial control of Etain LLC, occurred on April 22, 2022 (the "Initial Etain Closing"). Upon the Initial Etain Closing, approximately 80% of the total consideration payable pursuant to the Etain Acquisition was satisfied through a combination of cash and newly-issued Common Shares (as defined herein). On November 21, 2022, the New York State Cannabis Control Board (the "CCB") and the New York State Office of Cannabis Management ("OCM") approved Etain LLC's change of control request. Following the change of control approval, on December 15, 2022, the Company completed the final closing of the Etain Acquisition and satisfied the remaining purchase price through a combination of cash and newly-issued Common Shares (the "Second Etain Closing").

On May 30, 2024, the Company and Cansortium Inc. ("Cansortium") announced that they had entered into a definitive arrangement agreement (the "Cansortium Arrangement Agreement") pursuant to which Cansortium will acquire all of the issued and outstanding Common Shares in exchange for common shares of Cansortium (the "Cansortium Shares") (the "Proposed Transaction"). Under the terms of the Cansortium Arrangement Agreement, RIV Capital shareholders ("RIV Capital Shareholders") will receive 1.245 Cansortium Shares in exchange for each Common Share held. Furthermore, subject to the approval of shareholders of Cansortium ("Cansortium Shareholders"), Cansortium will create a new class of non-voting exchangeable shares (the "Cansortium Exchangeable Shares") that would be convertible into Cansortium Shares on a one-for-one basis, and The Hawthorne Collective will receive Exchangeable Shares in exchange for the Convertible Notes.

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

On August 27, 2024, RIV Capital Shareholders approved the Proposed Transaction during the Company's Annual General and Special Meeting of RIV Shareholders. On August 29, 2024, the Company received a final order approving the arrangement contemplated by the Cansortium Arrangement Agreement from the Ontario Superior Court of Justice (Commercial List).

The Proposed Transaction is expected to close in the fourth quarter of 2024, subject to, among other things, certain third-party approvals, the requirement for RIV Capital to maintain a certain minimum cash balance as of a specified date prior to closing, and the satisfaction of certain other closing conditions customary in transactions of this nature, which are expected to be completed during the fourth quarter of 2024. Please refer to Note 24 for additional details regarding the Proposed Transaction.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

The Interim Financial Statements were authorized for issue by the Company's Board of Directors (the "Board") on November 28, 2024.

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

(b) Basis of measurement

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Please refer to Notes 6, 10, 12, 13, and 23 for fair value considerations.

(c) Basis of preparation

The Interim Financial Statements were prepared in accordance with IAS 34 following the same accounting policies and methods of computation as were followed in the preparation of the audited annual consolidated financial statements as at and for the nine months ended December 31, 2023 (the "Annual Financial Statements"). Material accounting policies that became relevant to the Company subsequent to December 31, 2023, have been disclosed in Note 3.

The notes presented in the Interim Financial Statements include, in general, only significant changes and transactions occurring since December 31, 2023. As such, certain disclosures included in the Interim Financial Statements have been condensed or omitted. Accordingly, the Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

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

(d) Change of fiscal year-end

Effective August 15, 2023, the Board approved a change in the Company's fiscal year-end from March 31 to December 31, effective as of December 31, 2023. The change in fiscal year-end from March 31 to December 31 was made to align the Company's financial statement and continuous disclosure requirements with the majority of its industry peers, which operate on a calendar fiscal year-end. As a result, one of the comparative periods presented in these Interim Financial Statements is the nine months ended September 30, 2023, which has not previously been reported in historical unaudited condensed interim consolidated financial statements published by the Company.

(e) Critical accounting judgements, estimates, and assumptions

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

Impairment of Intangible Assets

The carrying values of intangible assets are reviewed for impairment when there are indicators present that suggest the carrying amount may not be recoverable. The Company tests for impairment of intangible assets by comparing the carrying amount of the identifiable intangible asset or corresponding cash generating unit ("CGU") or CGU Group to its recoverable amount, which is the greater of estimated fair value less costs of disposal ("FVLCD") and value-in-use calculations that use a discounted cash flow model. The determination of the Company's CGUs and CGU Groups involves 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.

(f) Basis of consolidation

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

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

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

As at September 30, 2024, the Company controlled for financial reporting purposes and consolidated the following active entities (as at September 30, 2024, the Company did not control any of its other investees):

Name of company	Place of incorporation / operation	Basic ownership %	Functional currency
RIV Capital[(1)]	Canada	n/a	Canadian dollar
2683922 Ontario Inc.	Canada	100%	Canadian dollar
RIV Capital US Corporation[(2)]	U.S.	100%	U.S. dollar
RIV Capital US Holdings LLC	U.S.	100%	U.S. dollar
RIV Capital US Real Estate LLC	U.S.	100%	U.S. dollar
RIV Capital US Services LLC	U.S.	100%	U.S. dollar
Allgro Holdings LLC[(3)]	U.S.	0%	U.S. dollar
Etain LLC[(4)]	U.S.	0%	U.S. dollar

(1) 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). The amalgamated entity continued under the name "RIV Capital Inc."

(2) RIV Capital US Corporation was formerly known as "Etain IP, LLC". The entity was converted to a corporation and effected a corporate name change during the fiscal year ended March 31, 2023.

(3) The Company, through its subsidiaries, has entered into a convertible promissory note agreement with Allgro Holdings LLC ("Allgro"), pursuant to which it is afforded substantive voting rights that enable it to exercise control over Allgro for financial reporting purposes. Allgro legally owns the membership interests in Etain LLC.

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

3. CHANGES IN MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Changes in previously applicable accounting policies or newly applicable accounting policies

Revenue

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

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

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

The Company recognizes revenue from the sale of cannabis in both the medical and adult-use New York cannabis markets, to both retail and wholesale customers. Under IFRS 15, revenue from the sale of cannabis is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy.

Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the retail customer at either its medical or adult-use co-located cannabis dispensaries, or delivery to a medical or adult-use wholesale customer. Revenue is presented net of discounts and sales tax (if applicable).

Local authorities will often impose special taxes on the sale or production of cannabis products. In the medical cannabis market in New York, local authorities impose an excise tax on the sale of medical cannabis products to retail customers. Excise taxes are effectively a production tax that is payable on the gross receipts from medical cannabis sold by a registered organization ("RO") to a certified patient or designated caregiver. Effective June 1, 2024, the medical cannabis excise tax on gross receipts from medical cannabis sold by an RO to a certified patient or designated caregiver was reduced from 7% to 3.15%.

In the adult-use cannabis market in New York, up to May 31, 2024, local authorities imposed a potency-based tax on the sale of adult-use cannabis products by a distributor; the calculation of potency tax was applied across the various flower, concentrate, and edible cannabis formats and was payable when a cannabis company sold internally-produced products to retail or wholesale customers. Effective for adult-use cannabis sales on and after June 1, 2024, the potency-based tax rates on adult-use cannabis products were replaced with a flat "distribution" tax rate of 9%. This new rate is imposed on the amount charged for the sale or transfer of adult-use cannabis products by a distributor to a retailer. For ROs that sell adult-use cannabis products directly to a retail customer, the new 9% tax rate is imposed on 75% of the amount charged for the sale or transfer of those cannabis products to the retail customer.

The medical excise tax and adult-use distribution tax (formerly, the adult-use potency tax) are borne by the Company and are not taxes on the patient or customer. As such, these taxes are included in revenue. The line item "Revenue, net" in the condensed interim consolidated statements of loss and comprehensive loss represents the Company's revenue as defined by IFRS, less any applicable medical excise taxes, adult-use potency-based taxes (applicable prior to May 31, 2024), and adult-use distribution taxes (applicable June 1, 2024 and thereafter).

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

(b) Accounting standards and amendments issued and adopted

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

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

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

(c) Accounting standards and amendments issued but not yet effective

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18"), which replaces IAS 1, *Presentation of Financial Statements*. The new guidance is expected to improve the usefulness of information presented and disclosed in the financial statements of companies. IFRS 18 introduces a defined structure for the statement of income (or loss), where companies will be required to present separate categories of income and expenses for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of income (or loss) must be classified into one of five categories (operating, investing, financing, taxes on income, and discontinued operations), it may impact the entity's operating income. The publication of IFRS 18 has also resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, *Statement of Cash Flows*, and IAS 34, *Interim Financial Reporting*.

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

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted, but will need to be disclosed. The Company is currently assessing the impact of IFRS 18, including the impact of the consequential amendments to other accounting standards, on its consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments* ("IFRS 9") and IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The amendments clarify the date of recognition and derecognition of financial assets and liabilities, clarify and add further guidance for assessing whether a financial asset meets the "solely payments of principal and interest" criterion, add new disclosures for financial instruments with contractual terms that can change cash flows, and update the disclosure for equity investments designated at FVTOCI (as defined herein). The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

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

4. CASH AND CASH EQUIVALENTS

As at September 30, 2024, the Company held $49,684 in interest-earning deposits with a maturity of 90 days or less that can be accessed at any time without penalty (December 31, 2023 – $81,012).

During the three and nine months ended September 30, 2024, the Company recognized interest income of $577 and $2,063 on its interest-earnings deposits, respectively (three and nine months ended September 30, 2023 – $978 and $2,783, respectively).

During the three and nine months ended September 30, 2024, the Company recognized a net unrealized gain (loss) on foreign-denominated cash deposits of $(404) and $1,393, respectively (three and nine months ended September 30, 2023 – net unrealized gain of $1,601 and $135, respectively).

5. INVENTORY

The following table presents a summary of the carrying value of inventory:

	As at Sep. 30, 2024	As at Dec. 31, 2023
Work-in-progress		
Wet and dried bud and trim	$ 2,357	$ 2,120
Intermediate oils and oil solutions	6,478	4,746
Finished goods	4,562	3,268
Less: cannabis inventory reserve	(4,296)	(100)
Total cannabis inventory	**$ 9,101**	**$ 10,034**
Packaging and miscellaneous	745	461
Less: packaging and miscellaneous reserve	(154)	(87)
Total inventory	**$ 9,692**	**$ 10,408**

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

6. BIOLOGICAL ASSETS

The following table presents a summary continuity schedule of the carrying value of biological assets:

	Nine months ended Sep. 30, 2024	Nine months ended Dec. 31, 2023
Biological assets – opening balance	**$ 750**	**$ 274**
Cost incurred prior to harvest to facilitate biological transformation (i.e. capitalized cultivation costs)	3,347	3,171
Unrealized loss on fair value of biological assets	(598)	(739)
Transferred to inventory upon harvest	(2,954)	(1,956)
Biological assets – ending balance	**$ 545**	**$ 750**

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

	As at Sep. 30, 2024	As at Dec. 31, 2023
Harvest yield of whole flower	81 grams / plant	72 grams / plant
Harvest yield of trim	81 grams / plant	72 grams / plant
Fair value (less cost to sell) of whole flower	$1.55 / gram	$2.20 / gram
Fair value (less cost to sell) of trim	$0.35 / gram	$1.00 / gram

The Company has quantified the sensitivity of the following valuation inputs to estimate the potential impact of changes on the unaudited condensed interim consolidated statements of financial position as at September 30, 2024:

Assumption	Change	Impact
Harvest yield	- 5.0% / + 5.0%	$ (3) / $ 3
Fair value (less cost to sell)	- 5.0% / + 5.0%	$ (27) / $ 27

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

7. PROPERTY, PLANT, AND EQUIPMENT

The following table presents a summary continuity schedule of the carrying value of property, plant, and equipment:

	Leasehold improvements	Manufacturing equipment	Construction -in-progress	Other	Right-of-use assets	Total
COST						
Balance – Mar. 31, 2023	**$ 3,035**	**$ 1,692**	**$ 85**	**$ 55**	**$ 14,067**	**$ 18,934**
Additions	2,114	858	3,510	30	2,561	9,073
Derecognitions	-	-	-	-	(531)	(531)
Effects of foreign exchange ("FX")	-	-	-	-	10	10
Balance – Dec. 31, 2023	**$ 5,149**	**$ 2,550**	**$ 3,595**	**$ 85**	**$ 16,107**	**$ 27,486**
Additions	1,633	1,032	5,300	306	480	8,751
Derecognitions	-	(127)	-	-	(193)	(320)
Effects of FX	-	-	-	-	(5)	(5)
Balance – Sep. 30, 2024	**$ 6,782**	**$ 3,455**	**$ 8,895**	**$ 391**	**$ 16,389**	**$ 35,912**
ACCUMULATED DEPRECIATION						
Balance – Mar. 31, 2023	**$ -**	**$ 62**	**$ -**	**$ 36**	**$ 1,922**	**$ 2,020**
Depreciation	264	196	-	1	1,431	1,892
Derecognitions	-	-	-	-	(531)	(531)
Effects of FX	-	-	-	-	8	8
Balance – Dec. 31, 2023	**$ 264**	**$ 258**	**$ -**	**$ 37**	**$ 2,830**	**$ 3,389**
Depreciation	497	317	-	34	1,422	2,270
Derecognitions	-	(9)	-	-	(94)	(103)
Effects of FX	-	-	-	-	(4)	(4)
Balance – Sep. 30, 2024	**$ 761**	**$ 566**	**$ -**	**$ 71**	**$ 4,154**	**$ 5,552**
NET BOOK VALUE						
Dec. 31, 2023	**$ 4,885**	**$ 2,292**	**$ 3,595**	**$ 48**	**$ 13,277**	**$ 24,097**
Sep. 30, 2024	**6,021**	**2,889**	**8,895**	**320**	**12,235**	**30,360**

During the three and nine months ended September 30, 2024, the Company capitalized to inventory depreciation and right-of-use asset amortization of $542 and $1,557, respectively (three and nine months ended September 30, 2023 – $478 and $1,098, respectively).

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

8. INTANGIBLE ASSETS AND GOODWILL

The following table presents a summary continuity schedule of the carrying value of intangible assets:

	Cannabis license rights	Term-based cannabis permits	Brands	Other	Total
COST					
Balance – Mar. 31, 2023	**$ 97,750**	**$ 134**	**$ 7,900**	**$ 69**	**$ 105,853**
Additions	18,862	496	-	17	19,375
Derecognition	-	(154)	-	-	(154)
Effects of FX	-	-	-	2	2
Balance – Dec. 31, 2023	**$ 116,612**	**$ 476**	**$ 7,900**	**$ 88**	**$ 125,076**
Additions	-	-	-	79	79
Derecognition	(402)	-	-	-	(402)
Effects of FX	-	-	-	(2)	(2)
Balance – Sep. 30, 2024	**$ 116,210**	**$ 476**	**$ 7,900**	**$ 165**	**$ 124,751**
ACCUMULATED AMORTIZATION					
Balance – Mar. 31, 2023	**$ 600**	**$ 99**	**$ 740**	**$ 37**	**$ 1,476**
Amortization	300	85	595	11	991
Impairment	39,704	-	2,915	-	42,619
Derecognition	-	(154)	-	-	(154)
Effects of FX	-	-	-	2	2
Balance – Dec. 31, 2023	**$ 40,604**	**$ 30**	**$ 4,250**	**$ 50**	**$ 44,934**
Amortization	1,050	178	329	18	1,575
Impairment	65,782	-	1,590	-	67,372
Derecognition	-	-	-	-	-
Effects of FX	-	-	-	-	-
Balance – Sep. 30, 2024	**$ 107,436**	**$ 208**	**$ 6,169**	**$ 68**	**$ 113,881**
NET BOOK VALUE					
Dec. 31, 2023	**$ 76,008**	**$ 446**	**$ 3,650**	**$ 38**	**$ 80,142**
Sep. 30, 2024	**8,774**	**268**	**1,731**	**97**	**10,870**

During the three and nine months ended September 30, 2024, the Company capitalized to inventory intangible asset amortization of $302 and $905, respectively (three and nine months ended September 30, 2023 – $83 and $323, respectively).

The following table presents a summary continuity schedule of the carrying value of goodwill:

	Nine months ended Sep. 30, 2024	Nine months ended Dec. 31, 2023
Goodwill – opening balance	**$ -**	**$ 6,031**
Impairment of goodwill	-	(6,031)
Goodwill – ending balance	**$ -**	**$ -**

Indicator-based impairment testing

Etain Brand

During the three months ended September 30, 2024, the Company determined that certain indicators of impairment were present for its brand intangible assets. Such indicators included, but were not limited to, changes in the Company's estimates regarding the revenue contribution of the Etain brand relative to other internally-produced brands going forward. Accordingly, impairment testing was performed.

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

The Company estimated the recoverable amount of the brand intangible assets based upon the greater of its value in use and its 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 $1,590 in respect of the brand intangible assets.

Etain CGU Group

During the three months ended September 30, 2024, the Company determined that certain indicators of impairment were present for its Etain CGU group (the "Etain CGU Group"). Such indicators included, but were not limited to, a decrease in management's projected cash flows from operations for the Etain CGU Group, as well as references to the estimated fair value of consideration to be received pursuant to the Proposed Transaction. Accordingly, impairment testing was performed.

The Etain CGU Group is represented by the four Etain operating retail dispensaries, and the cultivation, processing, and manufacturing operations. 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. The FVLCD 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 anticipated to be derived from the CGU group based upon business plans reviewed by management. The valuation reflected management's expectations of future revenue growth, operating margins, working capital needs, and capital expenditures as at the impairment testing date. These future cash flows 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 anticipated cash flows and are intended to reflect the risk inherent in achieving such results. These determinations involve significant estimates and assumptions regarding cash flows, economic risk, and weighted average cost of capital.

As at September 30, 2024, the Company estimated the FVLCD of the Etain CGU Group using cash flow projections for the three months ending December 31, 2024, and fiscal years ending December 31, 2025, to 2028, a terminal growth rate of 3.0%, and an after-tax discount rate of approximately 22.0%, among other key inputs and assumptions. The Company compared the recoverable amount of $32,849 derived from this analysis to the carrying value of the Etain CGU Group. Based on the foregoing, as at September 30, 2024, the Company recognized an impairment expense of $65,782 in respect of the Etain CGU Group. The impairment expense was allocated to the cannabis license rights intangible assets within the Etain CGU Group.

The Company has quantified the sensitivity of the following valuation input to estimate the potential impact on the recoverable amount of the Etain CGU Group on the unaudited condensed interim consolidated statements of financial position as at September 30, 2024:

Assumption	**Change**	**Impact**
After-tax discount rate	+ 1.0% / - 1.0%	$(3,516) / $3,516

9. ASSOCIATES

The following table presents a summary continuity schedule of the carrying value of equity method investees:

	LeafLink Intl.	**NOYA**	**Total[(1)]**
Balance – Mar. 31, 2023	**$ 1,503**	**$ 492**	**$ 1,995**
Share of loss	-	(172)	(172)
Impairment	(1,536)	(323)	(1,859)
Effects of FX	33	3	36
Balance – Dec. 31, 2023	**$ -**	**$ -**	**$ -**
Balance – Sep. 30, 2024	**$ -**	**$ -**	**$ -**

(1) During the reporting periods outlined above, the Company also owned preferred shares of High Beauty, which are not included in the table above as the estimated carrying value of the investment was $nil at both the beginning and the end of all reporting periods.

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

Certain previously-held investments in associates that were accounted for using the equity method had been disposed of prior to December 31, 2023, and all remaining investments in associates that were accounted for using the equity method had been written down to $nil through impairment charges and the recognition of the Company's cumulative share of the respective associates' net loss.

10. OTHER INVESTMENTS

The following table presents a summary continuity schedule of the carrying value of other investments, including financial assets measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVTOCI"):

	Total FVTPL	Total FVTOCI
Balance – Mar. 31, 2023	**$ 3,991**	**$ 15,061**
Net change in fair value	(2,063)	(1,892)
Conversions/dispositions	(1,974)	-
Effects of FX	46	336
Balance – Dec. 31, 2023	**$ -**	**$ 13,505**
Additions	4,000	-
Net change in fair value	533	(1,837)
Conversions/dispositions	-	-
Effects of FX	-	(278)
Balance – Sep. 30, 2024	**$ 4,533**	**$ 11,390**

Please refer to Note 23 for additional details on valuation methodologies and key inputs and assumptions for these financial assets.

Cansortium Bridge Note

In connection with the Proposed Transaction, on May 30, 2024, the Company announced that, through its wholly-owned subsidiary, it entered into an agreement to advance Cansortium up to $8,975 pursuant to an unsecured convertible promissory note (the "Cansortium Bridge Note"). The Cansortium Bridge Note bears interest at a rate of 10.0% per annum and will mature, if not earlier converted or prepaid in accordance with its terms, on May 1, 2025. The Cansortium Bridge Note will automatically be convertible into Cansortium Shares upon the occurrence of certain events of default, and at the option of the Company on the business day immediately preceding the maturity date, in each case at a price of $0.17 per Cansortium Share.

The Cansortium Bridge Note is a financial asset measured at FVTPL, and as such, is initially recorded at its fair value and is subsequently remeasured at fair value at each reporting period, with fair value movements recognized in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

In connection with signing the Cansortium Arrangement Agreement, on May 30, 2024, the Company made an initial advance to Cansortium pursuant to the Cansortium Bridge Note in the amount of $3,000.

On August 1, 2024, the Company made a second advance to Cansortium pursuant to the Cansortium Bridge Note in the amount of $1,000.

11. LEASE LIABILITY

Current Finance Leases

The Company's lease liability as at September 30, 2024, related to the following leased properties:

- Cultivation and production facility in Chestertown, New York;
- Three operational co-located adult-use and medical cannabis retail dispensaries in White Plains, Kingston, and Manhattan, New York;
- One operational medical cannabis retail dispensary in Syracuse, New York;
- Corporate head office in Toronto, Ontario; and
- Corporate office in Armonk, New York.

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

The following table presents a summary continuity schedule of the carrying value of the lease liability:

	Nine months ended Sep. 30, 2024	Nine months ended Dec. 31, 2023
Lease liability – opening balance	**$ 14,700**	**$ 12,955**
Lease additions (terminations)	(106)	2,286
Lease remeasurement	480	169
Lease payments	(2,036)	(1,831)
Interest expense	1,113	1,119
Effects of FX	(5)	2
Lease liability – ending balance	**$ 14,146**	**$ 14,700**
Lease liability – current portion	$ 1,388	$ 1,320
Lease liability – non-current portion	12,758	13,380

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

	As at Sep. 30, 2024
No later than one year	$ 2,761
Later than one year; not later than five years	9,778
Later than five years	8,325
Total[(1)]	**$ 20,864**

(1) The minimum lease payments presented in the table above do not include any lease payments that the Company will make in respect of the Flagship Facility (as defined herein) as the recognition criteria for that finance lease had not been met as at September 30, 2024. Please refer below and to Note 15 for additional details on the Company's commitments related to the Flagship Facility.

Flagship Facility

On August 23, 2022, the Company entered into a lease agreement with Laborers Way 1, LLC, an affiliate of California-based developer Zephyr Partners ("Zephyr"), 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. The Company will sublease the Flagship Facility to Etain LLC upon receipt of necessary regulatory approvals, and the lease is contingent on receipt of regulatory and other necessary approvals. The initial term of the lease is for 15 years and is intended to commence upon substantial completion of construction of the buildings, subject to certain timing adjustments in accordance with the terms of the lease agreement. Upon commencement of the lease, the Company will recognize a right-of-use asset and lease liability measured in accordance with *IFRS 16, Leases*.

Prior to the commencement of the lease, the Company is required to make installment payments totaling $4,484 (the "Tenant Cost Contributions") to assist in funding the construction of the Flagship Facility. As at September 30, 2024, the Company had made cumulative Tenant Cost Contributions of $2,244 (December 31, 2023 – $2,233), of which $nil and $11 were made during the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 – $513 and $880, respectively). The Tenant Cost Contributions have been recorded within "Other long-term assets" in the unaudited condensed interim consolidated statements of financial position and will be added to the right-of-use asset when recognized upon commencement of the lease. Please refer to Notes 15 and 24 for additional details on the Company's commitments related to the Flagship Facility.

12. PROVISION LIABILITY

On December 8, 2023, the CCB approved Etain LLC's application to transition to a New York adult-use cannabis operator. Etain LLC had applied for a Registered Organization Dispensing ("ROD") license, which allows the entity to participate in all aspects of vertical integration, including cultivation, processing, distribution, and retail activities. The OCM mandates that an ROD license holder shall pay an adult-use license fee, a cultivation fee based on canopy space and type, and a one-time $20,000 special fee (the "Special License Fee"), which is payable in four equal installments upon the achievement of certain milestones, including separate milestones for the opening of the first and second adult-use co-located retail dispensaries, and reaching certain gross revenue thresholds.

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

On February 14, 2024, Etain LLC opened its first adult-use co-located retail dispensary. 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.

In September 2024, Etain LLC opened its second co-located adult-use and medical cannabis retail dispensary. In connection with the opening of the Company's second adult-use dispensary, the second Special License Fee payment of $5,000 is expected to be due to the OCM in March 2025.

As at September 30, 2024, in accordance with *IAS 37, Provisions, Contingent Liabilities, and Contingent Assets*, the Company recognized a provision liability equal to the present value of the remaining Special License Fee payments based on management's estimates for the expected dates of payment.

The following table presents a summary continuity schedule of the carrying value of the provision liability:

	Nine months ended Sep. 30, 2024	Nine months ended Dec. 31, 2023
Provision liability – opening balance	**$ 18,903**	**$ -**
Present value upon initial recognition	-	18,862
Accretion expense	502	41
Payments of Special License Fee	(5,000)	-
Remeasurement	(403)	-
Provision liability – ending balance	**$ 14,002**	**$ 18,903**
Provision liability – current portion	$ 4,903	$ 9,755
Provision liability – non-current portion	9,099	9,148

13. CONVERTIBLE NOTES

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

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

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

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

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

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

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

Conversion of the Convertible Notes is subject to the receipt of any required regulatory (including under the Competition Act (Canada) and/or the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976) and stock exchange approvals, and other conditions set out in the terms of the Convertible Notes. The Convertible Notes include certain restrictions relating to the permissible uses of the proceeds from the Hawthorne Investments as it relates to the Company's strategy of investing in, or acquiring, cannabis-related operating businesses in the U.S.

The following table presents a summary continuity schedule of the carrying value of the Convertible Notes:

	Convertible Note I	**Convertible Note II**	**Total**
Balance – Mar. 31, 2023	**$ 83,943**	**$ 13,418**	**$ 97,361**
Accretion expense	8,329	1,425	9,754
Effects of FX	1,903	306	2,209
Balance – Dec. 31, 2023	**$ 94,175**	**$ 15,149**	**$ 109,324**
Accretion expense	8,934	1,544	10,478
Effects of FX	(1,819)	(292)	(2,111)
Balance – Sep. 30, 2024	**$ 101,290**	**$ 16,401**	**$ 117,691**

14. SHARE CAPITAL

Authorized

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

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

Issued and outstanding

The following table presents a summary continuity schedule of issued and outstanding Common Shares:

	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**
Exercise of options	50,000
Redemption of RSUs	194,561
Redemption of PSUs	341,204
Balance – Sep. 30, 2024	**136,756,403**

Share-based compensation

The characteristics and terms of the Company's long-term incentive plan ("LTIP"), share unit plan for non-employee directors (the "Share Unit Plan"), and Management Incentive Plan (the "MIP") remain consistent with those disclosed in the Annual Financial Statements.

The following table presents a summary of share-based compensation expense:

	Three months ended Sep. 30, 2024	Three months ended Sep. 30, 2023	Nine months ended Sep. 30, 2024	Nine months ended Sep. 30, 2023
Stock options	$ (22)	$ 20	$ 4	$ 30
RSUs	3	-	9	-
PSUs	(20)	20	(5)	93
DSUs (as defined herein)	8	7	17	117
MIP	130	-	197	-
Total share-based compensation	**$ 99**	**$ 47**	**$ 222**	**$ 240**

Stock options

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

	As at Sep. 30, 2024	As at Dec. 31, 2023
Outstanding stock options		
Number outstanding	1,215,000	2,451,500
Weighted average exercise price	C$ 0.30	C$ 1.15
Weighted average remaining life	3.4 years	3.1 years
Exercisable stock options		
Number outstanding	485,000	1,031,500
Weighted average exercise price	C$ 0.45	C$ 2.39
Weighted average remaining life	2.9 years	1.6 years

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

The following assumptions were considered in determining the fair value of new stock option grants during the nine months ended September 30, 2024, and nine months ended December 31, 2023:

	Nine months ended Sep. 30, 2024	Nine months ended Dec. 31, 2023
Share price	C$ 0.15	C$0.12-C$0.14
Exercise price	C$ 0.15	C$0.12-C$0.14
Risk-free interest rate	3.7%	4.3% – 4.5%
Weighted average expected life (years)	2.8 – 4.0	2.5 – 4.0
Dividend yield	0%	0%
Expected annualized volatility	75%	70%
Expected forfeiture rate	0%	0%

The following table presents a summary continuity schedule of outstanding stock options:

	Number of options	Weighted avg. exercise price
Balance – Mar. 31, 2023	**5,664,834**	**C$ 2.95**
Granted	1,290,000	0.13
Forfeited	(120,000)	0.14
Expired	(4,383,334)	3.21
Balance – Dec. 31, 2023	**2,451,500**	**C$ 1.15**
Granted	250,000	0.15
Exercised	(50,000)	0.14
Forfeited	(670,000)	0.22
Expired	(766,500)	3.05
Balance – Sep. 30, 2024	**1,215,000**	**C$ 0.30**

<u>RSUs</u>

The following table presents a summary continuity schedule of outstanding restricted share units ("RSUs"):

	Number of RSUs	Weighted avg. grant value
Balance – Mar. 31, 2023	**561,900**	**C$ 0.80**
Granted	131,127	0.13
Redeemed	(142,778)	0.44
Balance – Dec. 31, 2023	**550,249**	**C$ 0.73**
Granted	120,000	0.15
Redeemed	(194,561)	**0.94**
Balance – Sep. 30, 2024	**475,688**	**C$ 0.50**

<u>PSUs</u>

The following table presents a summary continuity schedule of outstanding performance share units ("PSUs"):

	Number of PSUs	Weighted avg. grant value
Balance – Mar. 31, 2023	**1,550,655**	**C$ 0.93**
Redeemed	(410,547)	1.01
Balance – Dec. 31, 2023	**1,140,108**	**C$ 0.90**
Redeemed	(341,204)	0.82
Forfeited	(158,000)	0.52
Balance – Sep. 30, 2024	**640,904**	**C$ 1.04**

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

DSUs

The following table presents a summary continuity schedule of outstanding deferred share units ("DSUs"):

	Number of DSUs	Weighted avg. grant value
Balance – Mar. 31, 2023	**-**	**C$ -**
Granted	218,540	0.14
Balance – Dec. 31, 2023	**218,540**	**C$ 0.14**
Granted	163,905	0.14
Balance – Sep. 30, 2024	**382,445**	**C$ 0.14**

MIP

The following assumptions were considered in determining the fair value of the MIP as at September 30, 2024, and December 31, 2023, using Geometric Brownian Motion within a Monte Carlo simulation:

	As at Sep. 30, 2024	As at Dec. 31, 2023
Share price	C$ 0.195	C$ 0.10
Shares outstanding	136,756,403	136,170,638
Credit-adjusted risk-free interest rate	12.7% – 12.9%	13.7% – 14.4%
Expected annualized volatility	80%	70%
Term (years)	0.9 – 1.9	0.6 – 2.6
Expected forfeiture rate	0%	0%

The following table presents a summary continuity schedule of the carrying value of the MIP liability:

	MIP Liability
Balance – Mar. 31, 2023	**$ -**
Share-based compensation expense	29
Balance – Dec. 31, 2023	**$ 29**
Share-based compensation expense	197
Payouts	(127)
Effects of FX	-
Balance – Sep. 30, 2024	**$ 99**

15. COMMITMENTS AND CONTINGENCIES

Financial obligations

As at September 30, 2024, the Company had the following obligations on an undiscounted basis:

	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Accounts payable and accrued liabilities	$ 4,913	$ 4,913	$ -	$ -	$ -
Lease liability[(1)]	20,864	2,761	5,236	4,542	8,325
Tenant Cost Contributions[(2)]	2,242	2,242	-	-	-
Cansortium Bridge Note[(3)]	4,975	4,975	-	-	-
Convertible Notes[(4)]	169,112	-	169,112	-	-
Total financial obligations	**$ 202,106**	**$ 14,891**	**$ 174,348**	**$ 4,542**	**$ 8,325**

(1) Based on minimum lease payments related to the Company's cultivation and production facility in Chestertown, New York; three operational co-located adult-use and medical cannabis retail dispensaries in New York; one operational medical cannabis retail

dispensary in New York; and corporate offices in Toronto, Ontario, and Armonk, New York. Excludes Flagship Facility as the recognition criteria for that finance lease had not been met as at September 30, 2024. Please see Note 11 for additional details.

(2) Based on contractual capital contributions for the Flagship Facility. Please see Notes 11 and 24, and below for additional details.

(3) Based on the undrawn principal amount on the Cansortium Bridge Note. Please see Note 10 for additional details.

(4) Assumes the principal balance as at September 30, 2024, remains outstanding at the maturity date. Includes the accrued and unpaid interest. 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 September 30, 2024. Please see Note 13 for additional details.

Commitments

The table above, which relates to the Company's financial obligations that are of determinable timing and amount, does not include the remaining payments for the Special License Fee discussed in Note 12, and certain remaining payments for the Excess Project Costs (as defined herein and discussed below), as the timing and/or amount for these items was only an estimate as at September 30, 2024. The remaining payments for the Special License Fee are estimated to be payable as follows: $5,000 in March 2025, $5,000 in the second half of calendar year 2026, and $5,000 in the first half of calendar year 2028. The projected timing of the latter two payments is subject to significant estimation uncertainty. As at September 30, 2024, the remaining payments for the Excess Project Costs (beyond what is already reflected in "Accounts payable and accrued liabilities" on the unaudited condensed interim consolidated statements of financial position) are estimated to be $4,299 and are estimated to be payable within the next 12 months.

Flagship Facility Excess Project Costs

Pursuant to the Company's lease agreement related to the Flagship Facility, total project cost overruns above the original construction budget for the development of the Flagship Facility are borne solely by the Company as lessee, and are payable in installments over the remainder of the construction project once such overruns are determined (the "Excess Project Costs"). As at September 30, 2024, total Excess Project Costs were estimated to be $12,990.

As at September 30, 2024, the Company had made cumulative payments for Excess Project Costs of $7,799 (December 31, 2023 – $nil), of which $3,052 and $7,799 were made during the three and nine months ended September 30, 2024, respectively (three and nine months ended September 30, 2023 – $nil). The payments made during the nine months ended September 30, 2024, included settlement of $3,015 that was recorded within "Accounts payable and accrued liabilities" in the consolidated statements of financial position as at December 31, 2023.

As at September 30, 2024, the Company had recognized a liability of $892 in the unaudited condensed interim consolidated statements of financial position related to the Excess Project Costs (December 31, 2023 – $3,015).

Pursuant to the terms of the lease agreement, once there is a new estimate of Excess Project Costs and the parties are able to calculate the percentage of total project costs represented by the new estimate of Excess Project Costs, the Company is required to make a retroactive payment to the landlord equal to that percentage applied to actual project costs incurred to date (less any amounts previously paid for Excess Project Costs). Going forward, as project costs are incurred, the Company will be required to fund a percentage of such project costs based on the then-current estimate of Excess Project Costs as a percentage of the then-current estimate of total project costs. Accordingly, as construction work progresses, the Company expects to recognize liabilities for the remaining $4,299 of estimated Excess Project Costs. The Company's payments related to Excess Project Costs are in addition to the Tenant Cost Contributions described above.

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

16. REVENUE

The following table presents a summary of disaggregated net revenue, by source:

	Three months ended Sep. 30, 2024	Three months ended Sep. 30, 2023	Nine months ended Sep. 30, 2024	Nine months ended Sep. 30, 2023
Cannabis retail revenue(1)	$ 3,299	$ 1,503	$ 9,026	$ 4,701
Cannabis wholesale revenue(1)	1,576	258	1,895	705
Non-medicated retail revenue(1)	69	42	185	135
Cannabis taxes(2)	(85)	(106)	(320)	(330)
Total revenue, net	**$ 4,859**	**$ 1,697**	**$ 10,786**	**$ 5,211**

(1) Presented net of discounts and sales tax (if applicable).
(2) Includes medical excise tax, adult-use potency tax (prior to June 1, 2024), and adult-use distribution tax (subsequent to June 1, 2024).

17. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The following table presents a summary of the key components of selling, general, and administrative expenses:

	Three months ended Sep. 30, 2024	Three months ended Sep. 30, 2023	Nine months ended Sep. 30, 2024	Nine months ended Sep. 30, 2023
Personnel costs (excluding share-based compensation)	$ 1,843	$ 2,100	$ 6,117	$ 6,163
Legal expenses and advisory fees (excluding transaction advisory)	319	369	989	1,861
Insurance premiums	274	610	807	1,901
Non-inventoriable depreciation and amortization of fixed and intangible assets	277	232	789	649
Director fees (excluding share-based compensation)	235	216	713	562
Selling and marketing expenses	255	111	704	316
Non-inventoriable right-of-use asset amortization	194	204	597	549
Severance expense	114	154	338	470
Non-inventoriable lease expenses	68	124	210	270
Audit-related fees	94	117	269	445
Investor relations and other public company expenses	70	120	253	367
Share-based compensation	99	47	222	240
Transaction advisory expenses	360	29	3,574	76
Other	381	371	1,031	1,573
Total selling, general, and administrative expenses	**$ 4,583**	**$ 4,804**	**$ 16,613**	**$ 15,442**

18. LITIGATION SETTLEMENT

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

On February 23, 2023, the Company announced that it had entered into a settlement agreement, pursuant to which JWAM consented to the dismissal, without costs, of its application related to the Etain Acquisition. Pursuant to the terms of the settlement agreement, the Company repurchased for cancellation all Common Shares owned or controlled by JWAM and its affiliates, amounting to 33,733,334 Common Shares, for an aggregate purchase price of $19,625. The Company also reimbursed certain legal expenses incurred by JWAM as part of its application and related matters in the amount of $375. As part of the settlement, JWAM and its affiliates withdrew their requisition for a special meeting of the Company's shareholders that was scheduled for June 6, 2023, and such meeting was cancelled by the Company.

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

In accounting for the share repurchase, $3,986 of the repurchase price was recognized as a reduction to share capital during the three months ended March 31, 2023. The remaining repurchase price of $16,014 was recorded as a litigation settlement expense in the unaudited condensed interim consolidated statements of loss and comprehensive loss for the six months ended June 30, 2023.

19. INCOME TAXES

The following table presents a summary of income tax recovery:

	Three months ended Sep. 30, 2024	Three months ended Sep. 30, 2023	Nine months ended Sep. 30, 2024	Nine months ended Sep. 30, 2023
Current income tax expense (recovery)	$ 169	$ (475)	$ 645	$ (819)
Deferred income tax recovery	(13,757)	(677)	(18,461)	(1,379)
Income tax recovery	**$ (13,588)**	**$ (1,152)**	**$ (17,816)**	**$ (2,199)**

During the three and nine months ended September 30, 2024, the Company recognized deferred income tax expense of $nil and $29, respectively, directly within other comprehensive loss (three and nine months ended September 30, 2023 – deferred income tax expense (recovery) of $39 and $(178), respectively). No current income tax has been recognized directly within other comprehensive loss for the three and nine months ended September 30, 2024 or 2023.

During the three and nine months ended September 30, 2024, the Company received net income tax refunds of $3,497 and $3,534, respectively (three and nine months ended September 30, 2023 – net income tax paid of $137 and $417, respectively). As at September 30, 2024, the Company recognized an income tax payable of $569 in its unaudited condensed interim consolidated statements of financial position, which reflects federal income tax payments expected to be due by certain of the Company's U.S. subsidiaries in respect of the 2024 taxation year.

As at September 30, 2024, the Company had recognized a deferred tax asset of $2,885 (December 31, 2023 – $54), primarily related to temporary differences on the brand and cannabis license rights intangible assets and the Convertible Notes (deferred tax asset and deferred tax liability, respectively), and recognized a deferred tax asset in certain Canadian entities related to net operating losses. The Company expects to reverse the deferred tax asset in the future to reduce U.S. federal income taxes payable.

Certain entities over which the Company exercises financial control operate in the cannabis industry and are subject to Section 280E of the U.S. Internal Revenue Code of 1986 ("IRC Section 280E") for U.S. federal income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. For U.S. entities, expenses and items that are not deductible in determining taxable income primarily relate to general and administrative expenses, dispensary expenses, and other selling expenses that are denied for U.S. federal purposes under IRC Section 280E.

20. EARNINGS PER SHARE

The following table presents a summary of earnings per share ("EPS"):

	Three months ended Sep. 30, 2024			Three months ended Sep. 30, 2023		
	Net loss	**Weighted avg. # of shares**	**EPS**	**Net loss**	**Weighted avg. # of shares**	**EPS**
Basic	$ (63,359)	136,541,079	$ (0.46)	$ (7,386)	135,671,354	$ (0.05)
Dilutive securities		-			-	
Diluted	$ (63,359)	136,541,079	$ (0.46)	$ (7,386)	135,671,354	$ (0.05)

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

	Nine months ended Sep. 30, 2024			Nine months ended Sep. 30, 2023		
	Net loss	**Weighted avg. # of shares**	**EPS**	**Net loss**	**Weighted avg. # of shares**	**EPS**
Basic	$ (76,629)	136,347,719	$ (0.56)	$ (40,098)	142,228,425	$ (0.28)
Dilutive securities		-			-	
Diluted	$ (76,629)	136,347,719	$ (0.56)	$ (40,098)	142,228,425	$ (0.28)

21. SUPPLEMENTAL CASH FLOW INFORMATION

The following table presents a summary of the cash flow impact of changes in net working capital:

	Nine months ended Sep. 30, 2024	Nine months ended Sep. 30, 2023
Change in accounts receivable	$ (662)	$ (58)
Change in inventory(1)	(1,095)	(943)
Change in biological assets	(393)	132
Change in income tax receivable	646	(819)
Change in other current assets	192	(5)
Change in prepaid expenses and deposits	995	(478)
Change in accounts payable and accrued liabilities	(1,602)	(1,487)
Change in income tax payable	-	-
Change in deferred revenue	58	19
Net impact of changes in working capital	**$ (1,861)**	**$ (3,639)**

(1) Includes the impact of depreciation and amortization in inventory.

The Company did not make any payments of cash interest during the three and nine months ended September 30, 2024 (three and nine months ended September 30, 2023 – $nil).

22. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board. Together, these individuals controlled approximately 1.7% of the Common Shares of the Company on a fully diluted basis as at September 30, 2024.

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

	Three months ended Sep. 30, 2024	Three months ended Sep. 30, 2023	Nine months ended Sep. 30, 2024	Nine months ended Sep. 30, 2023
Executive management				
Salaries and accrued bonuses	$ 461	$ 514	$ 1,442	$ 1,647
Share-based compensation	24	16	110	32
Board				
Director fees(1)	$ 213	$ 214	$ 637	$ 554
Special committee fees	22	2	66	7
Share-based compensation	8	7	17	115

(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 Income Tax Act non-resident thin capitalization tax. Accordingly, as at September 30, 2024, the Company had recognized an accrued liability of $19 in its unaudited condensed interim consolidated statements of financial position 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 September 30, 2024 (December 31, 2023 – $247). Pursuant to the Convertible Note I and Convertible Note II agreements, The Hawthorne Collective and the Company have agreed to share this liability equally. As such, as at September 30, 2024, the Company had recognized a related party receivable from The Hawthorne Collective of $8 (December 31, 2023 – $122). Please refer to Note 13 for further details regarding the Hawthorne Investments.

During the three and nine months ended September 30, 2024, the Company purchased cultivation materials, supplies, and equipment for $30 and $198, respectively, from Hawthorne Hydroponics, an affiliate of The Hawthorne Collective, for its Chestertown cultivation and production facility (three and nine months ended September 30, 2023 – $57 and $406, respectively). These purchases were made on market terms. The Company anticipates making additional cultivation materials, supplies, and equipment purchases from affiliates of The Hawthorne Collective as part of its ongoing operation and development of the Chestertown facility and the Flagship Facility. The Company expects any such additional purchases to be made on market terms.

Transactions with KDBF Ventures, LLC ("KDBF")

On August 27, 2024, KDBF, the owner of the Chestertown facility and two of Etain's retail dispensaries in New York, ceased to be a related party of the Company upon changes to the Board. Prior to this date, during the three and nine months ended September 30, 2024, the Company recognized lease payments of $430 and $1,711, respectively, to KDBF (three and nine months ended September 30, 2023 – $619 and $2,117, respectively). The lease agreements between the Company and KDBF were negotiated at market terms.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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

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

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

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

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

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

The following table presents information about how the fair values of the Company's other financial instruments were determined as at September 30, 2024:

Financial assets at FVTPL				
Instruments	**Fair value as at Sep. 30, 2024**	**Entity and financial asset**	**Fair value hierarchy and valuation technique**	**Key inputs**
Convertible notes	$ 4,533	Cansortium Bridge Note	**(Level 3):** Discounted cash flow with a Black-Scholes option pricing model	*Key observable inputs:* • Principal amount advanced ($4,000) • Interest rate (10%) • Conversion price ($0.17) *Key unobservable inputs:* • Discount rate (15%) • Volatility (80%)
Total FVTPL	**$ 4,533**			

Financial assets at FVTOCI				
Instruments	**Fair value as at Sep. 30, 2024**	**Entity and financial asset**	**Fair value hierarchy and valuation technique**	**Key inputs**
Equities	$ 3,699	BioLumic preferred shares	**(Level 3):** Market approach – most recent financing: based upon per share valuation implied by BioLumic's April 2024 equity financing, adjusted for FX gains/losses	*Key observable inputs:* • Financing price ($7.71) • FX rate (1.35) *Key unobservable inputs:* • Share price ($7.71)
	1,480	Headset preferred shares	**(Level 3):** Market approach – comparable public companies: based on an average of two approaches: (1) based on market multiples for publicly-traded vertical software-as-a-service companies applied to measures of Headset's historical and projected revenue, adjusted for FX gains/losses; and (2) based on estimated valuation increase for comparable companies between financing rounds, adjusted for the estimated probability of a successful financing	*Key observable inputs:* • Historical revenue *Key unobservable inputs:* • Projected revenue • Revenue multiples (3.6x to 5.1x) • Probability of successful financing
	6,211	ZeaKal preferred shares	**(Level 3):** Market approach – comparable public companies: based on return on invested capital multiples for target companies with similar characteristics	*Key observable inputs:* • Total historical capital raised • Comparable company returns on invested capital in M&A transactions *Key unobservable inputs:* • Discount for lack of marketability
Total FVTOCI	**$ 11,390**			

(1) As at September 30, 2024, the Company also owned other financial assets that are not included in the table above as the fair values of these investments were estimated to be $nil at the end of the reporting period.

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

As at September 30, 2024, the total fair values by fair value hierarchy level were as follows:

Financial assets
- Level 1: $nil (December 31, 2023 – $nil)
- Level 2: $nil (December 31, 2023 – $nil)
- Level 3: $15,923 (December 31, 2023 – $13,505)

No transfers between fair value levels occurred during the three and nine months ended September 30, 2024.

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

- Market approach – most recent financing: Application of the equity or enterprise value implied by the most recent financing involving an investee's equity (and, in certain cases, adjusted for changes in valuations of comparable public companies since the time of that financing), with consideration of the following inputs:
  - Valuation implied by most recent financing: An increase in this input would result in an increase in fair value.
  - If applicable, changes in valuations for comparable companies: An increase in this input would result in an increase in fair value.
- Market approach – comparable company multiples or other valuation measures: Application of multiples or other valuation measures observed for comparable public or private companies to certain financial or valuation metrics of investees to estimate the fair value of certain financial assets, with consideration of the following inputs:
  - Projected revenues: An increase in this input would result in an increase in fair value.
  - Trading multiples: An increase in this input would result in an increase in fair value.
  - Return on invested capital: An increase in this input would result in an increase in fair value.
  - Probability of a successful financing: An increase in this input would result in an increase in fair value.

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

Entity	Financial asset	Input	Assumption	Change	Impact
Cansortium	Cansortium Bridge Note	Volatility	80%	- 10.0% (abs)	$ (73)
BioLumic	Preferred shares	Share price	$7.71	- 10.0%	$ (370)
Headset	Preferred shares	Revenue multiples	3.6x to 5.1x	- 1.0x	$ (222)
ZeaKal	Preferred shares	Share price	$24.95	- 10.0%	$ (667)

Risk management

The Company is exposed to liquidity risk, credit risk, interest rate risk, and foreign currency risk, among other risk factors. The risk management policies and practices of the Company as at September 30, 2024, are consistent with those disclosed in the Annual Financial Statements. There have been no significant changes in these policies and practices during the interim period.

Liquidity risk

As at September 30, 2024, the Company's financial liabilities were comprised of accounts payable and accrued liabilities, lease liabilities (Note 11), provision liability (Note 12), and the Convertible Notes (Note 13). As at September 30, 2024, the Company also had commitments related to the Cansortium Bridge Note, Tenant Cost Contributions, and Excess Project Costs (Note 15). Please refer to the referenced notes herein for additional details on the known or estimated timing of the payments related to these financial obligations.

Credit risk

The Company applies an expected credit loss ("ECL") model to all financial assets not held at FVTPL, where credit losses that are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred as at the statement of financial position date. The Company is exposed to credit risk primarily through its trade accounts receivable and manages risk through the credit terms extended to its wholesale customers. The Company also monitors the cash-on-delivery retailers published by the OCM. The Company assesses the collectability of its trade accounts receivable on a regular basis through an aging analysis, and utilizes a matrix to estimate a provision for ECLs. The Company measures the loss allowance for trade accounts receivable at an amount equal to the 12-month ECLs. As at September 30, 2024, the Company had estimated its provision for credit losses to be $7 on its trade receivables (December 31, 2023 – $nil).

Interest rate risk

As at September 30, 2024, the Company is not directly party to any arrangement involving variable interest rates. The Convertible Notes carry a fixed interest rate for the first two years of approximately 2.0% and are thus not affected by changes in market interest rates. 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.

Foreign currency risk

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 $414. 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 $414.

24. SUBSEQUENT EVENTS

On October 1, 2024, the Company made a final advance of $4,975 to Cansortium pursuant to the Cansortium Bridge Note.

On October 10, 2024, the Company announced that it had received CCB approval for the Proposed Transaction.

On October 11, 2024, the Company made the third and final Tenant Cost Contribution payment of $2,242 pursuant to the Zephyr Lease.