RIV Capital Reports Fiscal Third Quarter 2023 Financial Results

Announces executive changes to drive execution in New York State and beyond; Company to conduct comprehensive search for a new CEO in near term

Makes significant progress in New York, including infrastructure improvements and revamped wholesale program

Will form Strategic Growth Committee of the Board to develop and lead growth strategies, including potential M&A

TORONTO – March 1, 2023 – RIV Capital Inc. ("**RIV Capital**" or the "**Company**") (CSE: RIV) (OTC: CNPOF), an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of brands in key strategic U.S. markets, today released its financial results for the three and nine months ended December 31, 2022 ("**FQ3 2023**") and unveiled initiatives designed to improve its operational and financial performance.

Executive Team Changes and Strategic Growth Committee

RIV Capital announced today that, effective immediately, Mark Sims, former President and CEO of RIV Capital, has departed the Company. The Board of Directors of the Company (the "**Board**") has appointed Chief Operating Officer Mike Totzke as interim CEO, and the Board will conduct a comprehensive search for a new CEO. Mr. Totzke has been with the Company since June 2022 and will continue to focus on building out the Company's New York State cultivation, dispensary, and sales operations, among other management duties previously performed by Mr. Sims, who also resigned from the Board. Pursuant to its investor rights agreement with the Company, The Hawthorne Collective, Inc. ("**Hawthorne**") is entitled to fill the Board seat formerly held by Mr. Sims and has initiated a selection process to fill that seat.

The Company also announced today that the Board is in the process of establishing a Strategic Growth Committee to develop and lead growth strategies, including potential strategic M&A. The Strategic Growth Committee will be chaired by Mr. Chris Hagedorn, Board member and President of Hawthorne, and will include Board members Ms. Dawn Sweeney, Ms. Amy Peckham, and Mr. Richard Mavrinac. The Board anticipates the Strategic Growth Committee will work with management in exploring a range of initiatives to capitalize on the Company's unique strengths and drive value for all stakeholders. The Company believes that its cash resources, New York assets and positioning, and strategic partnership with Hawthorne create multiple avenues for realizing value that is not currently reflected in the Company's share price.

"RIV Capital's market capitalization is not indicative of the true value of the Company, especially given its solid cash position," said Mr. Hagedorn. "By realigning its approach to strategy and execution at both the executive leadership and Board levels, we believe the Company will strengthen its ability to unlock that value to the benefit of all stakeholders."

“Coupled with other positive developments, including operational progress in New York and the resolution of claims asserted by a former shareholder, the Board is prepared to help take RIV Capital to the next level. It is among New York’s leading vertically integrated operators and is more focused than ever on becoming a multistate operator with the strongest brands and platform.”

The Company is actively working towards creating a path to provide stakeholders with exposure to a multistate platform in strategic U.S. markets. To assist in advising on strategic acquisitions, the Company is working with an investment bank as its financial advisor.

“We believe we have sufficient capital to facilitate both our growth objectives in New York and expansion into other geographies,” said Eddie Lucarelli, Chief Financial Officer of RIV Capital. “We have an enviable balance sheet, a great strategic partner, and one of only ten vertical licenses in New York, which we believe will be among the most exciting cannabis markets in the U.S. over the next five years. In our view, these assets represent significant intrinsic value that we plan to capitalize upon.”

New York Highlights

“We’ve recently achieved a number of milestones that have further strengthened our ability to execute in New York,” said Mr. Totzke. “We are making key infrastructure improvements to optimize Etain’s eventual transition to the adult-use market, while developing a robust wholesale program to secure near-term growth opportunities.”

The Company’s approach in New York is two-fold: (1) produce the highest-quality products; and (2) maximize the sale of those products through multiple retail channels. To this end, the Company:

- Entered the final phase of construction on the expansion of Etain’s cultivation and production facility in Chestertown, New York. The project, which is expected to triple Etain’s cultivation capacity, is anticipated to be completed this spring, adding jobs and allowing for enhanced research and development activities to drive product innovation.

- Launched a revamped wholesale program to expand retail sales of Etain products beyond the four Etain-operated medical dispensaries in New York. This will include selling into other approved medical dispensaries, as well as conditional adult-use dispensaries that open this year. The wholesale team has already increased distribution points and introduced new products to the wholesale market.

- Continued to work with the New York Cannabis Control Board and Office of Cannabis Management to support the development of regulations to accelerate the rollout and fostering of a strong adult-use market. This includes providing comprehensive feedback to draft regulations released by the New York State to offer recommendations for the creation of a safe, equitable, and accessible market.

FQ3 2023 Financial Results

The following is a summary of the Company's financial results for the three and nine months ended December 31, 2022 and 2021. Unless otherwise indicated, all financial highlights summarized in tables in this press release are presented in thousands of dollars, except share and per share amounts. All references to "$" are to United States dollars.

Summary Operating Results[1][2]				
	Three months ended Dec. 31, 2022	Three months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2021
Revenue	$ 2,008	$ -	$ 5,413	$ -
Excise taxes	(123)	-	(334)	-
Total revenue, net	**1,885**	**-**	**5,079**	**-**
Cost of goods sold	1,087	-	2,776	-
Gross profit excluding fair value items	**798**	**-**	**2,303**	**-**
Fair value items included in gross profit	(15)	-	(109)	-
Gross profit	**783**	**-**	**2,194**	**-**
Selling, general, and administrative expenses	4,801	1,950	15,170	8,015
Impairment of goodwill	-	-	138,937	-
Operating loss	**(4,018)**	**(1,950)**	**(151,913)**	**(8,015)**
Other loss	(6,305)	(1,668)	(5,705)	(28,115)
Loss before taxes	**(10,323)**	**(3,618)**	**(157,618)**	**(36,130)**
Income tax recovery	(432)	(847)	(1,929)	(7,666)
Net loss	**$ (9,891)**	**$ (2,771)**	**$ (155,689)**	**$ (28,464)**
Other comprehensive income (loss)	(2,774)	1,711	(6,933)	(1,712)
Total comprehensive loss	**$ (12,665)**	**$ (1,060)**	**$ (162,622)**	**$ (30,176)**
Loss per share – basic	**$ (0.06)**	**$ (0.02)**	**$ (0.93)**	**$ (0.20)**
Loss per share – diluted	**$ (0.06)**	**$ (0.02)**	**$ (0.93)**	**$ (0.20)**

(1) The operating results reported by the Company for the nine months ended December 31, 2022, include the operating results for Etain, LLC from April 23, 2022, to December 31, 2022. The revenue and net loss reported by the Company for the nine months ended December 31, 2022, would not have been materially different had the initial closing of the Etain Acquisition been effected April 1, 2022, instead of April 22, 2022.

(2) The Company changed its presentation currency from the Canadian dollar to the U.S. dollar, effective April 1, 2022. Comparative period results have been restated to reflect current period presentation.

The Company reported revenue, net of excise taxes, of $1.9 million for the three months ended December 31, 2022, consistent with the previous quarter (the Company did not report revenue for any reporting periods ended on or prior to March 31, 2022). Retail revenue of $1.8 million was generated from Etain, LLC's dispensaries in Manhattan, Kingston, Syracuse, and Yonkers, and wholesale revenue of $0.2 million was generated from sales of Etain-branded products to other registered organizations in New York.

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 $1.1 million for the three months ended December 31, 2022, compared to $0.9 million for the previous quarter (the Company did not report cost of goods sold for any reporting periods ended on or prior to

March 31, 2022). The unrealized loss on changes in fair value of biological assets and fair value loss included in inventory sold were not material for the quarter.

Based on the foregoing, the Company reported a gross profit of $0.8 million for the three months ended December 31, 2022, compared to a gross profit of $0.9 million for the previous quarter (the Company did not report gross profit for any reporting periods ended on or prior to March 31, 2022).

The Company reported operating expenses of $4.8 million for the three months ended December 31, 2022, compared with operating expenses of $2.0 million for the same period last year. The increase in operating expenses relative to the comparative period was primarily due to the significant increase in the size and scope of general and administrative functions of the Company to support its strategic shift to the U.S. cannabis market and as a result of the Etain Acquisition.

The Company reported other loss of $6.3 million for the three months ended December 31, 2022, compared with other loss of a $1.7 million for the same period last year. The following factors contributed to the Company's reported results, among other items:

- Royalty, interest, and lease income was $0.4 million for the three months ended December 31, 2022, compared with $0.6 million for the same period last year. The decrease in royalty, interest, and lease income relative to the comparative period was primarily attributable to the Company no longer recognizing royalty, interest, or lease income for certain investees due to challenges in the underlying business performance of those investees or as a result of dispositions of these financial assets. During the quarter, the Company's provision for credit losses increased by $0.2 million.
- Share of income from associates was $0.3 million for the three months ended December 31, 2022, compared with a share of loss from associates of $0.5 million for the same period last year.
- The net change in fair value of financial assets at fair value through profit or loss ("**FVTPL**") was a decrease of $0.6 million for the three months ended December 31, 2022, compared with a decrease of $3.0 million for the same period last year.
- Accretion and interest expense was $5.9 million for the three months ended December 31, 2022, compared with $2.4 million for the same period last year. The increase in accretion expense relative to the comparative period was primarily attributable to the accretion expense recognized on the convertible notes issued to Hawthorne and the deferred consideration payable. Included in the accretion expense for the three months ended December 31, 2022, is an accelerated accretion expense of $1.7 million recognized upon the settlement of the deferred cash consideration paid upon the final closing of the Etain Acquisition.
- Foreign exchange loss was $0.7 million for the three months ended December 31, 2022, compared with a foreign exchange gain of $4.0 million for the same period last year. The foreign exchange loss for the three months ended December 31, 2022, was primarily driven by a realized foreign exchange loss of $2.5 million on the settlement of the deferred consideration.

The Company reported an income tax recovery of $0.4 million for the three months ended December 31, 2022, compared with an income tax recovery of $0.8 million for the same period last year. Income tax recovery for the period included a tax expense of $0.3 million related to the estimated taxable profits of Etain, LLC for which the Company is responsible.

Based on the foregoing, the Company reported a net loss of $9.9 million, and a basic and diluted loss per share of $0.06 for the three months ended December 31, 2022, compared with a net loss of $2.8 million, and a basic and diluted loss per share of $0.02 for the same period last year.

The net change in fair value of financial assets at fair value through other comprehensive income (net of tax expense or recovery) was a decrease of $3.1 million for the three months ended December 31, 2022, compared with an increase of $0.3 million for the same period last year. For the three months ended December 31, 2022, the net decrease was primarily driven by a negative change in the estimated fair value of the Company's investment in Headset, Inc. preferred shares.

Based on the foregoing, the Company reported a total comprehensive loss of $12.7 million for the three months ended December 31, 2022, compared with a total comprehensive loss of $1.1 million for the same period last year.

Summary Cash Flows and Financial Position Data		
	Nine months ended Dec. 31, 2022	**Nine months ended Dec. 31, 2021**
Net cash flows from operating activities	$ (2,625)	$ (24,094)
Net cash flows from investing activities	(212,317)	85,442
Net cash flows from financing activities	23,436	144,981
Net increase (decrease) in cash	**$ (191,506)**	**$ 206,329**
Effect of foreign exchange rate movements on cash held	(1,599)	11,899
Cash, beginning of fiscal period	318,706	101,695
Cash, end of fiscal period	**$ 125,601**	**$ 319,923**
	As at Dec. 31, 2022	**As at Mar. 31, 2022**
Current assets	$ 136,641	$ 330,190
Non-current assets	153,050	36,021
Total assets	**$ 289,691**	**$ 366,211**
Current liabilities	$ 6,205	$ 3,946
Non-current liabilities	146,044	97,551
Total liabilities	**$ 152,249**	**$ 101,497**
Total shareholders' equity	**$ 137,442**	**$ 264,714**

This press release should be read in conjunction with the Company's Interim Consolidated Financial Statements and management's discussion and analysis ("**MD&A**") for FQ3 2023, which are available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.rivcapital.com/investors.

For more information regarding the Company and its portfolio companies, please refer to the MD&A and the Company's annual information form ("AIF") dated June 10, 2022, also available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.rivcapital.com/investors.

About RIV Capital

RIV Capital is an acquisition and investment firm with a focus on building a leading multistate platform with one of the strongest portfolios of 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. RIV Capital established the foundational building blocks of its active U.S. strategy with its previously announced transaction involving Etain, LLC and Etain IP LLC. Through its strategic relationship with The Hawthorne Collective, a subsidiary of The Scotts Miracle-Gro Company, RIV Capital is The Hawthorne Collective's preferred vehicle for cannabis-related investments not under the purview of other ScottsMiracle-Gro subsidiaries.

Forward-Looking Statements

This news release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of RIV Capital and its portfolio companies with respect to future business activities and operating performance. Forward-looking information is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions and includes information regarding the Company's strategies, objectives, goals, opportunities and plans, including in respect of Etain and its product portfolio; the ability of the Company's initiatives to improve its operational and financial performance; plans with respect to searching for a new CEO; expectations regarding the interim CEO; expectations with respect to the establishment of the Strategic Growth Committee, including the composition and mandate thereof; the Company's expectations for creation of multiple avenues to realize shareholder value; the true value of the Company; the benefits associated with realigning the Company's strategy and execution; the Board's ability to improve the Company; the Company's liquidity position, including its ability to finance its growth objectives in New York and long-term expansion plans; the benefits associated with infrastructure improvements and the development of a robust wholesale program; the Company's goal to expose stakeholders to a multistate platform in strategic U.S. markets; the Company's expectations regarding the U.S. cannabis market; expectations regarding legal cannabis market opportunities in New York, the benefits of the New York cannabis market; the ability of the Company to capitalize on its assets, including its balance sheet, strategic partner and vertical licenses in New York; expectations regarding adult-use sales in the state of New York; expectations regarding the expansion of Etain's Chestertown facility, including the timing thereof and expanded cultivation capacity; plans to expand retail sales of Etain products; the Company's expectations regarding Etain's position in the New York cannabis market; the Company's expectations and plans regarding Etain's business, including its market share, sales, brand, products and locations; the Company's expectations regarding growth opportunities; the Company's stock performance and value of its assets; and expectations for other economic, business, and/or competitive factors.

Investors are cautioned that forward-looking information is not based on historical fact but instead reflects management's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although RIV Capital believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of RIV Capital or its portfolio companies.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the Company's ability to execute its go-forward strategy; stock market volatility; changes in the business activities, focus and plans of the Company, Etain and the Company's investees and the timing associated therewith; the timing of any changes to federal laws in the U.S. to allow for the general cultivation, distribution, and possession of cannabis; regulatory and licensing risks; changes in cannabis industry growth and trends; changes in general economic, business and political conditions, including changes in the financial markets; litigation risks; the global regulatory landscape and enforcement related to cannabis, including political risks and risks relating to regulatory change; risks relating to anti-money laundering laws; compliance with extensive government regulation, including RIV Capital's interpretation of such regulation; public opinion and perception of the cannabis industry; divestiture risks; and the risk factors set out in RIV Capital's MD&A and AIF filed with the Canadian securities regulators and available on RIV Capital's profile on SEDAR at www.sedar.com.

The Company has invested in and acquired, and intends to in the future invest in and/or acquire, companies that are involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where such operations occur permit such activities, however, investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the United States. Cannabis remains a Schedule I drug under the U.S. Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although RIV Capital has attempted to identify important risks, uncertainties and factors that could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. RIV Capital does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.

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