



**QUINSAM CAPITAL CORPORATION**

**Management's Discussion and Analysis**

**For the Year ended December 31, 2023**

## Quinsam Capital Corporation

Management's Discussion and Analysis  
For the Year ended December 31, 2023

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The following Management's Discussion and Analysis ("MD&A") constitutes management's assessment of the financial condition and results of operations of Quinsam Capital Corporation ("Quinsam", the "Company" or "We") for the year ended December 31, 2023. It is supplemental to and should be read in conjunction with the Company's audited financial statements and related notes for the years ended December 31, 2023 and 2022 (the "2023 Financial Statements"). Except as otherwise indicated (see "Use of Non-IFRS Financial Measures" section in this MD&A), the 2023 Financial Statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. In preparing this MD&A, management has taken into account all information available up to April 28, 2024, and all figures are reported in Canadian dollars (\$) unless otherwise stated.

This MD&A has been prepared to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators ("CSA") and Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice").

### About Quinsam Capital Corporation

Quinsam was incorporated under the Canada Business Corporations Act on March 18, 2004 in the Province of British Columbia. The Company is a merchant banking firm focused on the small-cap market with early-stage investments in the technology, healthcare, mining exploration, e-sports, and cannabis markets. The Company's business may encompass a wide range of activities including acquisitions, advisory services, lending activities and portfolio investments. Quinsam invests its capital for its own account in assets, companies or projects which management believes are undervalued and where we see a viable plan for unlocking such value. The Company does not invest on behalf of any third-party and does not offer investment advice.

The Company's common shares are listed on the Canadian Securities Exchange under the ticker symbol "QCA". The Company's registered office address is at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

### Outlook

Canadian capital markets have been extremely volatile in the past year as a result of rising interest rates, the war in Ukraine, the Israel-Hamas conflict, fears of inflation and recession, changing commodity prices and their collective impact on the global economy. Volatility remains high, especially in small cap markets. Valuations in many small cap sectors (including technology and cannabis) have declined as investors have avoided less liquid small cap names. While Quinsam continues to consider new investments from the cannabis sector, management is also interested in investments in other small cap market sectors.

While the legislative climate for cannabis remains in flux in the United States (the "U.S."), management believes that, if progress with legalization reforms continues in the U.S., merger & acquisition ("M&A") activity in the U.S. market will increase. With Canadian legalization of recreational cannabis and edibles having already laid the foundation for the industry, the Company expects to continue providing assistance to our investee companies as they look to make acquisitions, undertake M&A transactions, and undertake other strategic growth initiatives.

### Corporate Developments

On January 25, 2023, the board of directors (the "Board") of the Company approved a quarterly dividend of \$0.00125 per share. The dividend distribution was paid on February 24, 2023, to shareholders of record on February 3, 2023. The Board has since suspended all future dividend distributions until further notice.

On April 28, 2023, the Company announced a strategy to attempt to enhance shareholder value. Quinsam intends to attempt to convert its investment portfolio to liquid assets, with the goal of trying to secure a valuation in excess of net asset value per share ("NAV") as part of a merger or reverse takeover with a private company. Accordingly, Quinsam plans to commence an effort to exit its illiquid investments and look for transactions that have the potential to create significant shareholder value. Management believes that it is prudent to exit its illiquid investments in a patient and careful way. Accordingly, this process will likely take in excess of one year, with the objective to try to grow our NAV while this process is underway through investment in liquid vehicles. The search for a value creating transaction has begun. We anticipate that it may take some time to find a suitable, value creating transaction. Further announcements will be made on the status of such steps, which are subject to all applicable shareholder and regulatory approvals.

On December 13, 2023, the Company hosted its annual general and special meeting of shareholders, where Roger Dent, Eric Szustak, Anthony Roodenberg, Ross Geddes and Susan Lambie were all re-elected as directors.

### **Canadian Companies with U.S. Marijuana-Related Assets**

On February 8, 2018, the CSA published the Staff Notice, which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to, clearly and prominently, disclose certain prescribed information in required disclosure documents. Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the U.S. cannabis industry; (ii) disclosure that cannabis is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the U.S. cannabis industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice.

At this time, Quinsam's involvement in the U.S. cannabis industry remains limited and its industry involvement of cannabis activities is "Indirect" through investments in certain entities (the "Investees") operating in the U.S. cannabis industry. In addition, the Company does not operate, nor control any entities that is directly engaged in the cultivation or distribution of cannabis in accordance with a U.S. state license. As a result of the Investees having cannabis operations in the U.S. (as described below), the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

#### *Compliance with applicable state laws in the U.S.*

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from U.S. federal laws in the states where its Investees conduct operations. For each of the Investees involved in the U.S. cannabis industry listed below, to the best of the Company's knowledge, we are not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of such Investees' business and the Company is not aware of: (i) any non-compliance by these Investees with respect to cannabis-related activities, or (ii) any notices of violation with respect to any Investees' cannabis-related activities by its respective regulatory authorities.

#### *Nature of investments with U.S. cannabis-related activities*

##### A-Synaptic (formerly Gefion Canada Inc.) (Various states in the U.S.)

In September 2018, Quinsam subscribed for shares of Gefion Canada Inc. ("Gefion"), with a top-up investment made in September 2020. Gefion is a private Canadian corporation which has licensed transdermal delivery technology from BioPhysics Pharma, Inc., for the development and sale of herbal extracts products which include cannabis and hemp-based products. In Canada, Gefion has developed products for entry into the CBD OTC market. In the U.S., it sells formula bases in bulk to extractors in all states. In early 2023, Gefion changed its name to A-Synaptic. As of the date of this MD&A, Quinsam continues to hold a position in the shares of A-Synaptic.

##### CLS Holdings USA Inc. (Nevada)

In December 2018, Quinsam subscribed for debentures of CLS Holdings USA Inc. ("CLS"), which had since been amended and convertible into units at a price USD \$0.07 up to 2028. CLS is an integrated cannabis producer and retailer through its Oasis Cannabis subsidiaries in Nevada and plans to expand to other states. CLS's business model includes licensing operations, processing operations, processing facilities, sale of products, brand creation, and consulting services. As of the date of this MD&A, Quinsam continues to hold a position in the shares, warrants and debentures of CLS.

##### Corsica Innovations Inc. (Colorado)

In March 2019, Quinsam subscribed for debentures of Corsica Innovations Inc. ("Corsica"). Based in Boulder, Colorado, Corsica manufactures and markets Plug N' Plant cannabis growing systems, which monitor various aspects of grow box and keep it at optimal settings for plant growth: nutrient dosing, pH balancing, light, temperature, water level, and ventilation controls. As of the date of this MD&A, Quinsam continues to hold a position in the warrants and debentures of Corsica.

##### Pideka Group Inc. (California)

In May 2019, Quinsam subscribed for debentures of Pideka Group Inc. ("Pideka" and formerly, Ikänik Farms Inc.). Pideka is a California-based multi-national operator who is building a portfolio of brands, supported by its vertically integrated retail, distribution and cultivation in California and its medical grade cultivation and laboratory in Colombia. Its operation in Colombia

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holds both GMP-PHARMA and Good Agricultural and Collection Practice (GACP) certifications for its Casa Flores operating facility. As of the date of this MD&A, Quinsam continues to hold a position in the shares and debentures of Pideka.

Vertical Peak Holdings Inc. (California)

In March 2018, Quinsam subscribed for debentures of Vertical Peak Holdings Inc. ("Vertical Peak" and formerly, High Fusion Inc.). In May 2020, Quinsam subscribed for an additional debentures investment. Vertical Peak has manufacturing, retail and cultivation operations in California through its OutCo and Thrive brands. As of the date of this MD&A, Quinsam continues to hold a position in the shares of Vertical Peak.

As at December 31, 2023, the Company held the following investments in the cannabis sector:

Investees	Investment relationship	Investment type	Jurisdiction	Industry involvement <sup>1</sup>	Cost	Fair value	Company's ownership %
					\$	\$	
Asterion Cannabis Inc.	Private	Shares	Canada, Australia	N/A	305,292	-	Under 10%
A-Synaptic	Private	Shares	Canada, U.S. <sup>2</sup>	N/A	360,000	2,380,680	Under 10%
Bevcanna Enterprise	Publicly-listed	Shares	Canada	N/A	43,234	2,740	Under 10%
Blackshire Capital Corp.	Private	Shares	U.S. (California, Washington)	Indirect	335,124	-	Under 10%
CanaQuest Medical Corp.	Publicly-listed	Shares	Canada	N/A	63,766	58,480	Under 10%
City View Green Holdings Inc.	Publicly-listed	Shares & promissory notes	Canada	N/A	1,259,209	179,693	12% <sup>3</sup>
CLS Holdings USA Inc.	Publicly-listed	Shares, warrants & convertible debentures	U.S. (Nevada)	Indirect	347,040	228,479	Under 10%
Corsica Innovations Inc.	Private	Warrants & convertible debentures	U.S. (Colorado)	Indirect	104,665	-	Under 10%
Discover Wellness Solutions Inc.	Publicly-listed	Shares	Canada	N/A	525,000	-	Under 10%
Eden Empire Inc.	Publicly-listed	Shares	Canada	N/A	393,444	-	Under 10%
Frontier Wellness Management Inc.	Private	Shares	Spain	N/A	399,998	-	Under 10%
Good Buds Company Ltd.	Private	Shares	Canada	N/A	411,186	-	Under 10%
Green Stripe Naturals Ltd.	Private	Shares	Jamaica	N/A	712,916	-	Under 10%
Hempsana Holdings Inc.	Publicly-listed	Shares	Canada	N/A	480,000	16,000	Under 10%
King and Pegahmagabow Inc.	Private	Debentures	Canada	N/A	844,987	-	Under 10%
Med. Compassion Canni Farms Inc.	Private	Loans	Canada	N/A	1,750,000	1,500,000	Under 10%
Molecule Holdings Inc.	Publicly-listed	Convertible debentures & warrants	Canada	N/A	247,096	8,902	Under 10%
OG DNA Genetics Inc.	Private	Shares	U.S. (California and other states) <sup>4</sup>	Indirect	177,279	-	Under 10%
Pharmex Life Sciences Inc.	Private	Shares	Mexico	N/A	284,091	-	Under 10%
Phytopharma International Ltd.	Private	Convertible debentures	Israel	N/A	250,497	-	Under 10%
Pideka Group Inc.	Publicly-listed	Shares & convertible debentures	U.S. (California)	Indirect	309,870	-	Under 10%
PlantExt Ltd.	Private	Shares	Israel	N/A	317,988	-	Under 10%
Segra International Corp.	Private	Shares	Canada	N/A	348,905	-	Under 10%
Swiss Luxe Products Inc.	Private	Shares	Canada	N/A	200,000	-	Under 10%
Verabys Inc.	Private	Shares	Columbia	N/A	350,000	-	Under 10%
Vertical Peak Holdings Inc.	Publicly-listed	Shares	U.S. (California)	Indirect	107,880	10,553	Under 10%
					<b>10,929,467</b>	<b>4,385,527</b>	

<sup>1</sup> Industry involvement refers to Quinsam's involvement in regard to the Investees with cannabis-related activities in the U.S. For greater clarity per the Staff Notice, Investees classified as "Indirect" in this column generally represents entities with a license to either cultivate and/or sell cannabis in the U.S., and for which Quinsam has an equity or "convertible-into-equity" stake in that particular investee.

<sup>2</sup> A-Synaptic, through service agreements with third-parties, has access to OTC retail distribution channels for all 50 states in the U.S. Its products contain hemp extracts with CBD with 0.3% or less THC which are sold throughout the U.S. pursuant to the recently enacted 2018 Farm Act.

<sup>3</sup> City View Green Holdings Inc. ("CVGH") is an investment which Quinsam had held prior to CVGH's RTO transaction with 2590672 Ontario Inc. As at June 30, 2023, Quinsam holds approximately 12% of CVGH's common shares. Quinsam remains a passive investor and does not participate in any decision-making of CVGH.

<sup>4</sup> OG DNA Genetics Inc. has entered into various licensing agreements with cannabis producers in ten distinct jurisdictions, including Canada, and U.S. states such as Nevada, Pennsylvania, and Michigan, to name a few. For confidentiality reasons, some states cannot be named.

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The Company's position for U.S. cannabis-related activities is strictly comprised of its investments portfolio. The following is a summary of Investees from the cannabis sector, including those having U.S. cannabis-related activities, as at December 31, 2023:

By type	All cannabis investments		Investees involved in U.S. cannabis activities	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Equities	7,029,809	2,679,496	1,262,696	2,422,583
Warrants	179,552	17,304	112,782	8,402
Convertible debentures	1,715,106	188,727	366,380	188,727
Loans	2,005,000	1,500,000	-	-
<b>Total</b>	<b>10,929,467</b>	<b>4,385,527</b>	<b>1,741,858</b>	<b>2,619,712</b>

  

By ownership percentage	Cost		Fair value	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Under 10% ownership	9,670,258	4,205,834	1,741,858	2,619,712
Over 10% ownership	1,259,209	179,693	-	-
<b>Total</b>	<b>10,929,467</b>	<b>4,385,527</b>	<b>1,741,858</b>	<b>2,619,712</b>

**Overall Performance of Investments**

As at December 31, 2023, the Company held cash and cash equivalents and investments recorded at fair value totaling \$12,316,847 (December 31, 2022 – \$14,739,676). During the quarter ended December 31, 2023 (“Q4 2023”), Quinsam remained cautious in its management approach while continuing its strategy of exiting positions of certain investments. The Company disposed of investments for total proceeds of approximately \$250,000 (2022 – less than \$100,000). At the same time, the Company made purchases of about \$600,000 (2022 – less than \$100,000) into the portfolio.

During 2023, the Company's investments portfolio had somewhat performed similarly to the broad market. In recent months, the Company had been gradually reducing our position from existing cannabis investments and had diversified into other sectors within the portfolio. As current cannabis market conditions remain uncertain, Quinsam may choose to look at additional investments outside the cannabis sector going forward.

*Investments Portfolio*

The Company's investments portfolio consisted of the following as at December 31, 2023:

Investments by type	Cost	Fair Value			Total fair value
		Level 1	Level 2	Level 3	
	\$	\$	\$	\$	\$
Equities	13,532,068	3,624,232	-	5,411,970	9,036,202
Warrants	1,110,173	14,750	188,508	163,238	366,496
Convertible debentures	2,394,118	46,250	188,727	-	234,977
Loans	2,013,796	-	-	1,500,000	1,500,000
<b>Total investments</b>	<b>19,050,155</b>	<b>3,685,232</b>	<b>377,235</b>	<b>7,075,208</b>	<b>11,137,675</b>

  

Investments by sector	Cost	Level 1	Level 2	Level 3	Total fair value
Cannabis-related	10,929,467	298,816	206,031	3,880,680	4,385,527
Non-cannabis	8,120,688	3,386,416	171,204	3,194,528	6,752,148
<b>Total</b>	<b>19,050,155</b>	<b>3,685,232</b>	<b>377,235</b>	<b>7,075,208</b>	<b>11,137,675</b>

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As at December 31, 2023, the Company also held the following non-cannabis related investments in its investments portfolio:

Investees	Investment relationship	Investment type	Cost \$	Fair value \$	Company's ownership %
Above Food Corp.	Private	Shares & warrants	300,000	687,649	Under 10%
Agriforce Growing Systems Ltd.	Publicly-listed	Warrants	82,921	213	Under 10%
Atikokan Resources Inc.	Private	Shares & warrants	50,000	27,800	Under 10%
BBTV Holdings Inc.	Publicly-listed	Convertible debentures	500,000	46,250	Under 10%
Boardwalktech Software Corp.	Publicly-listed	Shares & warrants	210,000	262,546	Under 10%
C15 Solutions	Private	Shares	220,000	195,650	Under 10%
California Nanotechnologies Corp.	Publicly-listed	Shares & warrants	240,120	434,733	Under 10%
Canada Energy Partners Inc.	Publicly-listed	Shares	77,074	16,000	Under 10%
Cematrix Corporation	Publicly-listed	Shares	219,712	110,000	Under 10%
Century Lithium Corp.	Publicly-listed	Warrants	47,842	-	Under 10%
ChargerQuest Inc.	Private	Shares	166,112	60,933	Under 10%
Current Water Technologies Inc.	Publicly-listed	Warrants	77,072	13,761	Under 10%
Delivra Health Brands Inc.	Publicly-listed	Warrants	91,766	7,750	Under 10%
Deveron Corp.	Publicly-listed	Shares	50,000	92,500	Under 10%
Electro Metals and Mining Inc.	Private	Shares & warrants	488,735	-	Under 10%
Elev8ate Health Clinics Inc.	Private	Loans	8,796	-	Under 10%
EquityLine MIC Series F Preferred Shares	Private	Preferred shares	15,000	15,000	Under 10%
Evio Inc.	Publicly-listed	Shares & convertible debentures	152,615	-	Under 10%
First Helium Inc.	Publicly-listed	Shares	207,496	56,000	Under 10%
Forrest Innovations Ltd.	Private	Preferred shares	357,211	357,211	Under 10%
Givex Corporation	Publicly-listed	Shares & warrants	190,000	111,509	Under 10%
Giyani Metals Corp.	Publicly-listed	Shares	270,773	60,000	Under 10%
INX Digital Company	Publicly-listed	Warrants	18,484	-	Under 10%
Merrco Payments Inc.	Private	Shares	150,000	18,696	Under 10%
Metallite Resources Inc.	Publicly-listed	Share	151,875	1,500	Under 10%
Microbox Biosystems Inc.	Publicly-listed	Warrants	23,595	244	Under 10%
MiMedia Holdings Inc.	Publicly-listed	Warrants	47,566	13,489	Under 10%
Music Royalties Inc.	Private	Shares	400,000	500,000	Under 10%
NeoTerrex Minerals Inc.	Private	Shares & warrants	200,000	196,219	Under 10%
Neural Therapeutics Inc.	Private	Shares	1,269	-	Under 10%
Nevada Organic Phosphate Inc.	Publicly-listed	Shares & warrants	210,000	139,560	Under 10%
Newlox Gold Ventures Corp.	Publicly-listed	Shares	397,393	633,193	Under 10%
Peninsula Capital Corp.	Private	Shares	324,000	660,000	Under 10%
Pfane Incorporated	Private	Shares	250,000	225,000	Under 10%
Pluribus Technologies Inc.	Publicly-listed	Shares & warrants	400,412	29,932	Under 10%
Rivalry Corp.	Publicly-listed	Shares	100,000	471,111	Under 10%
Saturn Oil and Gas Inc.	Publicly-listed	Shares	472,202	620,400	Under 10%
Strategic Minerals Europe Inc.	Publicly-listed	Shares & warrants	339,952	27,033	Under 10%
Tectonic Metals Inc.	Publicly-listed	Warrants	40,269	53,950	Under 10%
Tr3dent Limited	Private	Conv. deb & warrants	120,000	-	Under 10%
Umajin Limited	Private	Shares	50,020	50,020	Under 10%
Virotek Biosciences Inc.	Private	Shares	150,000	25,350	Under 10%
Vitalhub Corp.	Publicly-listed	Shares	42,000	342,720	Under 10%
WealthCraft Capital Inc.	Publicly-listed	Shares	13,346	13,226	Under 10%
Zodiac Gold Inc.	Private	Shares	195,060	175,000	Under 10%
			<b>8,120,688</b>	<b>6,752,148</b>	

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**Financial Results**

*Selected financial information*

Selected financial information, prepared in accordance with IFRS, for the Company's three most recently completed fiscal years ended December 31 are summarized as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
	\$	\$	\$
Cash and cash equivalents	1,179,172	855,369	58,389
Investments	11,137,675	13,884,307	30,050,279
Total assets	12,399,322	14,854,500	31,930,253
Total liabilities	158,350	279,801	1,177,424
Investment loss	(2,452,683)	(14,514,047)	(2,781,383)
Other income	554,659	924,393	1,577,146
Total expenses	(1,020,797)	(2,562,114)	(812,082)
Net loss and comprehensive loss	(2,016,413)	(15,515,392)	(2,483,692)

*Selected quarterly financial results*

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
	\$	\$	\$	\$
Investment income (loss)	(1,916,846)	(88,792)	(886,238)	439,193
Interest, advisory services and other income	156,332	195,996	156,016	46,315
Net income (loss)	(1,601,116)	70,776	(852,633)	366,560
Net income (loss) per share – basic	(0.017)	0.001	(0.009)	0.004
Working capital	12,240,972	13,948,706	13,933,242	14,826,695
Net Asset Value per share (NAV)	0.12	0.14	0.14	0.15
Shares outstanding	96,791,106	96,791,106	97,675,106	97,816,106

  

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$	\$	\$
Investment loss	(4,814,142)	(2,626,230)	(5,133,114)	(1,685,814)
Interest, advisory services and other income	(518,445)	402,204	637,486	148,401
Net loss	(6,894,068)	(2,343,519)	(4,627,097)	(1,650,708)
Net loss per share – basic	(0.070)	(0.024)	(0.046)	(0.016)
Working capital	14,574,699	21,598,971	24,153,229	28,991,262
Net Asset Value per share (NAV)	0.14	0.21	0.23	0.28
Shares outstanding	97,816,106	98,332,106	100,043,106	100,043,106

*Results of operations for the three months ended December 31, 2023*

During Q4 2023, the Company recorded a total investment loss of \$1,916,846, as compared to a total investment loss of \$4,814,142 in the comparative period. The net investment loss in Q4 2023 follows a similar pattern from the two prior quarters and is primarily the result of the market amid continued uncertainty from rising inflation and interest rates. In total, an unrealized gain of \$3,708,961 was recorded during the quarter as certain investments' performance rebounded (2022 – unrealized loss of \$3,894,637). During the quarter, the Company also recorded a realized loss of \$5,625,807 (2022 – realized loss of \$919,505) on disposals of certain investments in the portfolio, and from write-offs and expiry of certain investments in warrants.

During Q4 2023, other income totaled \$156,332, as compared to total other losses of \$518,445 in 2022. Other income comprised of dividend income, interest income from loans and convertible debentures, advisory services and other income associated with the Company's investments. The total other losses in the comparative period, is the direct result of the Company having impaired certain of its debentures and loans investments, over the course of the 2022 audit, which accordingly resulted in lesser amounts of interests as a result.

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Total operating expenses incurred during the quarter was \$534,939 (2022 – \$2,112,057), for a decrease of \$1,571,118. Notable items causing the changes in operating expenses included:

- Allowance for expected credit losses (“ECL”) of \$332,572 (2022 – \$1,973,433);
- Professional fees of \$107,504 (2022 – \$58,345);
- Salaries and other benefits of \$58,705 (2022 – \$58,655);
- General administrative expenses of \$17,538 (2022 – \$3,945);
- Travel and promotional expenses of \$11,946 (2022 – \$2,652) and
- Transfer agent and filing fees of \$7,421 (2022 – \$7,972).

During Q4 2023, the Company also recorded an income tax recovery of \$694,337 (2022 – \$550,576), based on the estimated income tax provision at period-end.

As a result of the above, net loss and comprehensive loss for Q4 2023 was \$1,601,116 (net loss of \$0.017 per share on a basic and diluted basis, respectively), as compared to a net loss and comprehensive loss of \$6,894,068 (net loss of \$0.070 per share on a basic and diluted basis, respectively) for the comparative period in 2022.

### Results of operations for the year ended December 31, 2023

During the year ended December 31, 2023, the Company recorded a total investment loss of \$2,452,683, as compared to a total investment loss of \$14,514,047 in the prior year. The net investment loss year-to-date is a direct reflection of the market amid continued uncertainty from rising inflation and interest rates, which contributed to extremely volatile market conditions. In total, an unrealized gain of \$5,493,765 was recorded during the year (2022 – unrealized loss of \$12,048,850). During the year, the Company also recorded a total realized loss of \$7,946,448 (2022 – realized loss of \$2,465,197) on disposals of certain investments in the portfolio, and from write-offs and expiry of other investments. The Company expects to be able to apply the loss carry-backs to reduce its tax obligations from prior years.

During the year, other income totaled \$554,659, as compared to \$924,393 in 2022. Total other income decreased during 2023 versus the prior year, as the Company impaired certain of its debentures and loans investments over the course of the 2022 audit, and accordingly recorded lesser amounts of interests as a result.

Total operating expenses incurred during the year was \$1,020,797 (2022 – \$2,562,114), for a decrease of \$1,541,317. Notable operating expenses included:

- Allowance for ECL of \$383,017 (2022 – \$1,973,433);
- Professional fees of \$291,364 (2022 – \$249,828);
- Salaries and other benefits of \$238,574 (2022 – \$237,770);
- General administrative expenses of \$53,658 (2022 – \$24,617);
- Transfer agent and filing fees of \$29,931 (2022 – \$34,861).
- Travel and promotional expenses of \$12,313 (2022 – \$10,097) and
- Stock-based compensation of \$10,170 (2022 – \$54,800)

During the year, the Company also recorded an income tax recovery of \$902,408 (2022 – income tax recovery of \$636,376), based on the estimated income tax provision at period-end.

As a result of the above, net loss and comprehensive loss for the year ended December 31, 2023 was \$2,016,413 (net loss of \$0.02 per share on a basic and diluted basis, respectively), as compared to a net loss and comprehensive loss of \$15,515,392 (net loss of \$0.16 per share on a basic and diluted basis, respectively) from the prior year.

### Cash flows

Net cash flows provided by operating activities for the year ended December 31, 2023 was \$651,287, as compared to net cash flows provided by operations of \$1,514,522 in the prior year. During 2023, the Company remained cautious in maintaining the investments portfolio, as new investments of \$857,194 were subscribed for (2022 – \$405,796), while others were disposed for total proceeds of \$1,181,505 (2022 – \$2,743,394), which had been deployed for working capital purposes. In July 2023, the Company also received a tax refund of over \$750,000 from tax loss carried back to prior years, which contributed to the cash flows from operations.



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Net cash flows used in financing activities for the year ended December 31, 2023 was \$327,484, as compared to net cash flows used of \$717,538 in the prior year. The use of cash comprised the quarterly dividend paid to shareholders in February 2023 (2022 – \$495,293 over four quarterly payments), and the repurchase of common shares for \$205,214 (2022 – \$222,245) made over the course of the year.

During the year ended December 31, 2023, the Company did not participate in any investing activities (2022 – \$nil).

**Liquidity and Capital Resources**

	December 31, 2023	December 31, 2022	December 31, 2021
	\$	\$	\$
Total assets	12,399,322	14,854,500	31,930,253
Total liabilities	158,350	279,801	1,177,424
Shareholders' equity	12,240,972	14,574,699	30,752,829
Retained earnings (accumulated deficit)	(7,262,876)	(5,578,076)	10,219,432
Net Asset Value per share – basic	0.12	0.14	0.30
Net Asset Value per share – diluted	0.12	0.14	0.29

The Company relies upon various sources of funding for its ongoing operating and investing activities, including but not limited to, proceeds from disposals of investments, interest and dividend income earned from investments, consulting fees, and capital raising activities such as debt and equity private placement financings.

The raising and deployment of funds are inextricably linked from a management point of view, as the Company will only deploy the funds after they have been raised. Therefore, the sustainability of dividend payments to shareholders is tied to the Company's ability over time to deploy funds to earn a quarterly return that is in excess of the quarterly dividend payment. In order to fund dividend payments, the Company has the discretion to use available cash or to dispose of some of its publicly-listed investees for liquidity.

During the year ended December 31, 2023, the Company had paid dividends of \$122,270 (2022 – \$495,293), to its shareholders, which had since been suspended. As disclosed in the Company's financial statements, when the Company raises funds from financings, it classifies this inflow as a "financing activity", whereas when these funds raised from financings are deployed, this outflow of net investments is classified as an operating cash flow. Therefore, in periods where new funds are raised and deployed in any material extent, the Company's financial statements would show negative operating cash flows, and vice versa.

The Company's present liabilities are limited to trade payables incurred in the normal course of business. Management believes that the Company will be able to generate sufficient cash to fund its normal course of operations through the course of purchases and disposal of existing investments.

**Related Party Transactions and Balances**

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee of the Board.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
	\$	\$
Salaries, and other benefits	238,574	237,770
Professional fees	108,480	108,480
Stock-based compensation	10,170	54,800
	<b>357,224</b>	<b>401,050</b>

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During the year ended December 31, 2023, officers and directors of the Company were paid compensation benefits of \$238,574 for services rendered (2022 – \$237,770), which was charged to salaries, and other benefits. As at December 31, 2023, no payroll balance was owed to any officers and directors (December 31, 2022 – \$nil).

During the year ended December 31, 2023, Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is contracted, charged professional fees of \$108,480 (2023 – \$108,480), for CFO services provided to the Company, as well as other accounting and administrative services, which are included in professional fees. As at December 31, 2023, no balance was owed to Branson (December 31, 2022 – \$9,040, included in accounts payable and accrued liabilities).

During the year ended December 31, 2023, Roger Dent, the Chief Executive Officer (the "CEO"), and Eric Szustak, the Chairman of the Company, were issued 63,525 and 2,569 DSUs (2022 – 165,676 and 6,700 DSUs), respectively, upon distribution of the cash dividends paid, as adjustments in accordance with the terms of the DSU Plan. These DSUs were valued at \$4,626 (2022 – \$17,945) and were recorded as stock-based compensation.

During the year ended December 31, 2023, officers and directors of the Company also received stock-based compensation of \$5,544 (2022 – \$36,855) on vesting of options granted.

*Investments in companies with common insiders*

As at December 31, 2023, the Company held investment positions in the following issuers with common officers and directors:

	<b>Investments</b>	<b>Holdings</b>	<b>Fair Value</b>
		<b>#</b>	<b>\$</b>
Atikokan Resources Inc. <sup>(1)</sup>	Common shares	1,000,000 shares	27,800
Atikokan Resources Inc. <sup>(1)</sup>	Warrants	500,000 units	-
California Nanotechnologies Corp. <sup>(2)</sup>	Common shares	1,712,000 shares	419,440
California Nanotechnologies Corp. <sup>(2)</sup>	Warrants	300,000 units	15,293
Deveron Corp. <sup>(2)</sup>	Common shares	500,000 shares	92,500
Nevada Organic Phosphate Inc. <sup>(3), (4)</sup>	Common shares	4,200,000 shares	126,000
Nevada Organic Phosphate Inc. <sup>(3), (4)</sup>	Warrants	4,200,000 units	13,560
Vitalhub Corp. <sup>(2)</sup>	Common shares	84,000 shares	342,720
			<b>1,037,313</b>

(1) Anthony Roodenburg (Director) is a Director of Atikokan Resources Inc.

(2) Roger Dent (CEO) is a Director of California Nanotechnologies Inc., Deveron Corp. and Vitalhub Corp.

(3) Eric Szustak (Chairman) is a Director of Nevada Organic Phosphate Inc.

(4) Keith Li (CFO) is an Officer of Nevada Organic Phosphate Inc.

**Off-Balance Sheet Arrangements**

As at December 31, 2023, and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

**Risk Management**

The Company's financial instruments consist primarily of cash and cash equivalents, receivables, investments, and accounts payable and accrued liabilities. The Company is exposed to various risks as it relates to these financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and receivables (including loans), which expose the Company to credit risk should the borrower default on the maturity of the instruments. Cash and cash equivalents are currently held with several reputable Canadian financial institutions, which are available on demand. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents is minimal.

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The Company's second exposure to credit risk is on receivables. At each reporting period, management assesses the credit risk of its receivables. Where collection risk may exist, the Company may record an allowance for ECL. During the year ended December 31, 2023, an allowance for ECL of \$383,017 (2022 – \$1,973,433) was recorded on interest accrued on convertible debentures and loan investments.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from disposal of its investment holdings.

As at December 31, 2023, the Company had a cash and cash equivalents balance of \$1,179,172 (December 31, 2022 – \$855,369), and Level 1 investments in shares of \$3,624,232 (December 31, 2022 – \$4,105,880) which it can liquidate, to settle current liabilities of \$158,350 (December 31, 2022 – \$279,801).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at December 31, 2023:

	<b>Carrying amount</b>	<b>Year 1</b>	<b>Year 2 to 3</b>	<b>Year 4 to 5</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accounts payable	158,350	158,350	-	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may dispose of certain of its investments for cash or pursue various debt and equity instruments for short or long-term financing of its operations.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash and cash equivalents and Level 1 shares investments position as at December 31, 2023.

*Foreign exchange risk*

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company invests from time to time into securities, debentures and loan investments issued and denominated in foreign currencies, notably in U.S. dollars. The Company's primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations. Due to the small number of investments issued and denominated in foreign currencies, management believes that the foreign exchange risk with respect to investments is low.

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The fair value of the Company's cash, and convertible debentures and loan investments affected by changes in short-term interest rates will be minimal. The Company does not use any derivative instruments to reduce its exposure to interest rate risk.

*Market risk*

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in disposal of investments at less than favorable prices. A 1% change in the closing trade price of the Company's investments portfolio would impact net loss by approximately \$111,400 based upon balances as at December 31, 2023.

*Concentration risk*

Concentration risk is the potential for a loss in value of the Company's investments portfolio when an individual or group of exposures move together in an unfavorable direction. The Company is exposed to concentration risk as its investments portfolio is focused on a few small cap sectors, notably investee companies from the cannabis markets. The potential lack of diversification and a downturn in a particular industry could result in decreases in the fair value of the investments portfolio. As at December 31, 2023, cannabis-related investments accounted for approximately 39% of the Company's investments portion (December 31, 2022 – 49%). The Company manages concentration risk by regularly reviewing threshold of industry holdings and rebalancing its portfolio when needed. The Company also incorporates diversification across investments from different industries.

*Other risks*

The Company may from time to time be subject to risks which are beyond its control, such as the 2021–2022 Russo-Ukrainian crisis and the 2023 Israel-Hamas conflict, which have spurred a rally in precious metal prices including gold and silver, of which both are minerals that certain investee companies in the Company's investments portfolio are exploring for. The Company manages such risks by regularly rebalancing its portfolio when needed. The Company also assesses potential regulatory and geo-political risks of the business location of potential investee companies in its selection process.

**Capital Management**

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. The Company's objectives when managing capital are:

- (a) to maintain sufficient liquidity to allow the Company to pursue business opportunities expeditiously; &
- (b) to earn investment returns while managing risk.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on all potential investments and acquisitions. Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable.

There have been no changes in its approach to capital management during the years ended December 31, 2023 and 2022.

The Company is not subject to externally imposed capital requirements.

**Significant Material Judgments and Estimates**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. These are described in greater detail in Note 2(e) to the 2023 Financial Statements.

**Material Accounting Policies**

The material accounting policies used by the Company are described in greater detail in Note 3 to the 2023 Financial Statements.

**Subsequent Event**

On January 10, 2024, 2,346,000 common shares that the Company had repurchased for \$141,273 were cancelled and returned to treasury.

**Outstanding Share Data**

As at April 28, 2024, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of Quinsam are as follows:

<b>Securities</b>	<b>Outstanding</b>
Voting shares issued and outstanding	94,445,106 common shares
Securities exercisable into voting or equity	3,767,338 DSUs and 4,940,000 options

## Segmented Information

Quinsam's management is responsible for the Company's entire investments portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis. The Company has a single reportable geographic segment, Canada, and all of the Company's management are based in Canada.

The internal reporting provided to management of the Company's assets, liabilities, and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments since the end of the last reporting period.

## Regulatory Overview

### *U.S. federal law*

While cannabis ("marijuana") and cannabis-infused products are legal under the laws of several U.S. states (with vastly differing restrictions), presently the concept of "medical", "retail" or "adult-use" cannabis does not exist under U.S. federal law. The U.S. Federal Controlled Substances Act ("FCSA") classifies cannabis as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision.

The U.S. Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of cannabis pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

The U.S. Department of Justice (the "DOJ") has previously issued several official guidance regarding cannabis enforcement in response to state laws that legalize medical and adult-use cannabis. While the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to cannabis, it had also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the DOJ has rescinded all federal enforcement guidance specific to cannabis (including the Cole memo, discussed below) and has instead directed federal prosecutors to follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the U.S. Attorney's Manual. This direction has created broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use cannabis businesses, even if they are not engaged in cannabis-related conduct enumerated by the Cole Memo.

Prior to 2018 and in the Cole Memo (issued on August 29, 2013), the DOJ acknowledged that certain U.S. states had enacted laws relating to the use of cannabis and outlined the U.S. federal government's enforcement priorities with respect to cannabis notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of cannabis. The Cole Memo was addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the U.S., indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

- (i) Distribution of cannabis to minors.
- (ii) Criminal enterprises, gangs, and cartels from receiving revenue from the sale of cannabis.
- (iii) Transfer of cannabis from states where it is legal to states where it is illegal.
- (iv) Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity.
- (v) Violence or use of firearms in cannabis cultivation and distribution.
- (vi) Drugged driving and adverse public health consequences from cannabis use.
- (vii) Growth of cannabis on federal lands; and
- (viii) Cannabis possession or use on federal property.

In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memo standard.

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by Jeff Sessions, then the U.S. Attorney General (the "Sessions Memo"). The result of the rescission of the Cole Memo is that federal prosecutors are free to utilize their

prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

Furthermore, the Sessions Memo did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis was protected against enforcement by enacted legislation from U.S. Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding (see "U.S. Enforcement Proceedings"). Due to the ambiguity of the Sessions Memo in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law (see "Risk Factors").

On March 22, 2018, the House of Representatives (the "House") and Senate voted in favor of approving the Omnibus Spending Bill (the "Omnibus Spending Bill") and it was signed into law the following day by former U.S. President Donald Trump. With the Omnibus Spending Bill's approval came an extension of Rohrabacher-Leahy Amendment until September 2018, which is represented by Section 538 of the Bill. The Rohrabacher-Leahy Amendment prevents the DOJ from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical cannabis. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use cannabis.

On November 7, 2018, Mr. Sessions resigned. While pro-cannabis legislation would still require passage by the Senate and enactment by the U.S. federal executive branch of government, the path to legalization seems to have opened up with Mr. Sessions' departure. With divided congressional power, opportunities arose for bipartisanship on a number of issues, including the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, S. 3032 ("STATES Act"), which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bipartisan efforts initiated by former Colorado Senator Cory Gardner together with Massachusetts Senator Elizabeth Warren. In addition, constituents of the State of Michigan voted to legalize recreational cannabis, making Michigan the first state in the Midwest U.S. to do so and the 10<sup>th</sup> in the U.S. overall. Voters in the states of Missouri and Utah also approved ballot measures legalizing cannabis for medical use, making their states the 31<sup>st</sup> and 32<sup>nd</sup> to do so.

On July 10, 2019, the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security gathered to debate cannabis reform, as lawmakers sought input on federal laws reform in a hearing titled "*Marijuana Laws in America: Racial Justice and the Need for Reform.*" Numerous members of Congress had indicated their intention to loosen U.S. federal laws, and to even legalize cannabis. Despite the optimism, no consensus was reached by lawmakers.

On September 25, 2019, the House voted in favor of the Secure and Fair Enforcement (SAFE) Act ("SAFE Banking Act"). The historic vote was the first time that a standalone cannabis bill has come before the House. The vote needed a two-thirds majority to pass and was supported by 321 votes in favor to 103 against.

On November 21, 2019, the House Judiciary Committee voted 24 to 10 in favor of passing the Marijuana Opportunity Reinvestment and Expungement (MORE) Act ("MORE Act") of 2019. The bill effectively put an end to cannabis prohibition in the U.S. on the federal level by removing it from Schedule 1 of the FCSA, and past federal cannabis convictions would be expunged. The law allows the Small Business Administration to issue loans and grants to cannabis-related businesses and provide a green light for physicians in the Veterans Affairs system to prescribe medical cannabis to patients, as long as they abide by state-specific laws.

On May 15, 2020, provisions of the SAFE Banking Act have been incorporated into the stimulus package passed by the House. The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act is a \$3 trillion stimulus bill passed in response to the economic and health crisis caused by COVID-19.

On November 3, 2020, the U.S. held its presidential election, and adult-use cannabis legalization was approved in four additional states: Arizona, Montana, South Dakota and New Jersey. Additionally, medical cannabis was legalized via ballot measures in Mississippi and South Dakota, which became the first state to legalize medical and recreational cannabis simultaneously.

On November 4, 2020, the House passed the MORE Act, the first time that either Congressional house voted to de-schedule cannabis from the FCSA and thus decriminalize manufacturing, distribution, and possession. However, the Senate did not act before the end of the 2020 session.

On January 20, 2021, Joseph R. Biden was sworn in as the 46<sup>th</sup> President of the U.S, having announced a goal during his campaign to decriminalize cannabis possession federally; Democrats maintained their House majority and achieved control of the Senate. On March 10, 2021, House Democrats voted 220 to 211 in favor of passing the American Rescue Plan (ARP) Act, a \$1.9 trillion coronavirus relief package, which is among the largest economic stimulus packages in U.S. history. The ARP Act was signed by President Biden on March 11, 2021. While cannabis companies will likely see increased sales resulting from this third round of federal stimulus payments in the U.S., some industry experts have claimed that cannabis companies may be ineligible for certain small business credit initiatives outlined in the relief package.

In March 2021, New York became the 16<sup>th</sup> state to legalize adult-use cannabis, doing so through legislative action. In the same month, Senate Majority Leader Chuck Schumer of New York, and Senators Ron Wyden of Oregon, and Cory Booker of New Jersey met with cannabis industry advocates including the National Cannabis Industry Association and the Minority Cannabis Business Association to announce their intention to introduce legislation in the U.S. Senate that would legalize, tax and regulate commercial cannabis activity at the federal level. While President Biden has supported decriminalization of possession and has not expressed support for de-scheduling cannabis, Vice President Harris was one of the original sponsors of the MORE Act while she was still serving in the U.S. Senate and has publicly stated her support for cannabis de-scheduling. Senate Majority Leader Schumer has indicated the Senate leadership's willingness to champion full cannabis legalization even without the support of President Biden. However, the legislation has not yet been introduced, and its passage is not assured, notwithstanding Democratic control of the federal executive and legislature. As such, such statements of support for de-scheduling do not materially affect the likelihood of federal enforcement of current cannabis laws against the Company or any other state-licensed cannabis enterprise.

On April 1, 2022, the House passed the MORE Act for a second time on April 1, 2022. Legislation was supported by 220 votes in favor and 204 against. The bill will now pass to the Senate, where 60 votes are needed.

On April 4, 2022, the House also passed The Medical Marijuana Research (MMR) Act, a bipartisan marijuana research bill that establishes a new, separate registration process to facilitate medical marijuana research. Specifically, it directs the Drug Enforcement Administration to register practitioners to conduct medical marijuana research, and manufacturers and distributors to supply marijuana for such research. The Medical Marijuana Research Act was supported by 343 votes in favor and 75 against.

On October 6, 2022, President Biden pardoned all prior federal offenses of simple cannabis possession. As part of the announcement, President Biden also encouraged governors to take similar steps to pardon state simple cannabis possession charges, a move that would potentially affect many thousands more Americans. The President will task the Department of Health and Human Services and U.S. Attorney General Merrick Garland to review the classification schedule of cannabis, which could result in its removal from Schedule I of the FCSA. The moves stopped short of endorsing legalization of cannabis for recreational purposes, but they are viewed as the first significant steps taken by a U.S. president toward removing criminal penalties for cannabis possession.

On November 8, 2022, the U.S. held its 2022 midterm elections. Voters in Maryland and Missouri approved the legalization of recreational cannabis, while legalization proposals did not pass in Arkansas, North Dakota and South Dakota.

On November 16, 2022, the Senate also passed by voice vote the Medical Marijuana and Cannabidiol Research Expansion Act, a bill introduced to expand research into cannabis-derived medications. The goal of the bill is to facilitate research on marijuana and its potential health benefits. The bill will accomplish this by streamlining the application process for scientific cannabis studies and removing existing barriers for researchers that frequently slow the research process.

On April 13, 2023, U.S. Democrat and Republican lawmakers have reintroduced a bill to set the basis for the legalization of adult-use cannabis at the federal level. Rep. Dave Joyce (R-OH) and House Minority Leader Hakeem Jeffries (D-NY) introduced the Preparing Regulators Effectively for a Post-Prohibition Adult-Use Regulated Environment Act (PREPARE) Act, whose goal is to bring together a diverse group of experts to collaborate on cannabis reform and provide lawmakers with the information needed to establish a comprehensive federal regulatory system. On July 27, 2023, Senator John Hickenlooper refiled the PREPARE Act which is largely identical to the version filed by Joyce and Jeffries in April, with some additional provisions related to commission membership and directives. The bill was introduced for the first time last session in both chambers, but it did not advance.

While Attorney General Garland had previously commented that he would deprioritize enforcement of low-level cannabis crimes such as possession, and that federal reforms are closely tied to the larger issue of social justice for minorities, he had not since offered further clarity on how he will enforce federal law or how to deal with states that have legalized medical or recreational cannabis. While bipartisan support has been gaining traction on decriminalization and reform for a few years now, there is currently no imminent timeline on any potential legislation. Given that the 2024 U.S. presidential election is around the corner, there is no guarantee that the current Biden Presidential administration, or any other incoming administration, will not change its stated policy regarding the low-priority enforcement of U.S. federal laws that conflict with state laws.

**Any changes in the U.S. federal government's enforcement of current U.S. federal law could cause adverse financial impact and remain a significant risk to the Company and its Investees' businesses, which could in turn have an impact on the Company's investments portfolio and financial results.** See "Risk Factors".

#### *State-level overview*

Regulations differ significantly amongst U.S. states. Some states only permit the cultivation, processing and distribution of medical cannabis and cannabis-infused products. Some others may also permit the cultivation, processing, and distribution of cannabis for adult purposes and retail cannabis-infused products. The following sections present an overview of state-level regulatory conditions for the cannabis industry in which the Investees have an operating presence:

#### California

In 1996, California was the first U.S. state to legalize medical cannabis through Proposition 215, the Compassionate Use Act of 1996. The City of Oakland was the first jurisdiction to license commercial cannabis activities in the U.S. This legalized the use, possession and cultivation of medical cannabis by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which cannabis provides relief. However, there was no state licensing authority to oversee businesses that emerged.

In September of 2015, the California state legislature (the "Legislature") passed three bills collectively known as the "Medical Cannabis Regulation and Safety Act" ("MCRSA"), which established a licensing and regulatory framework for medical cannabis businesses in California. The system has multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible-infused product manufacturers will require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology.

On November 8, 2016, California residents voted to approve the "Adult Use of Marijuana Act" ("AUMA") to tax and regulate for all adults 21 years of age and older.

On June 27, 2017, the Legislature passed Senate Bill 94, known as the "Medicinal and Adult-Use Cannabis Regulation and Safety Act" ("MAUCRSA"), which amalgamates the MCRSA and AUMA frameworks to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in California. On November 16, 2017, the state government introduced the emergency regulations, which shall be governed by the California Bureau of Cannabis Control, the California Department of Public Health and the California Department of Food and Agriculture, which provide further clarity on the regulatory framework that will govern cannabis businesses. The regulations build on the regulations provided by MCRSA and AUMA, and also specify that the businesses will need to comply with the local law in order to also comply with the state regulations. On January 1, 2018, the new state regulations took effect as California moved to full adult-use state legalization for cannabis products.

To legally operate a medical or adult-use cannabis business in California, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining the state license, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under the MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are no residency requirements for ownership under the MAUCRSA.

On August 6, 2019, the California DOJ released the "Guidelines for the Security and Non-Diversion of Cannabis Grown for Medicinal Use" to clarify the state's laws governing medicinal cannabis, specifically those related to the enforcement, transportation, and use of medicinal cannabis. The guidelines come after significant changes in state law on recreational cannabis use. The revised guidelines include:



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- A summary of applicable laws.
- Guidelines regarding individual qualified patients and primary caregivers.
- Best practices for the recommendation of cannabis for medical purposes.
- Enforcement guidelines for state and local law enforcement agencies; and
- Guidance regarding collectives and cooperatives.

On October 12, 2019, California Governor Gavin Newsom signed several cannabis-related bills that, among other things, are designed to bolster minority participation in the industry, ensure labor peace and institute a vaporizer cartridge labeling requirement, and including one that will let legal businesses take advantage of more tax deductions. Gov. Newsom also signed Assembly Bill 37, that allows cannabis business owners to deduct business expenses at the state level, something that remains illegal federally.

Starting in 2024, California employers will be barred from asking workers about their use of cannabis outside of work, and from discriminating against them because of it. Two bills previously signed by Governor Newsom aim to strengthen the state's legal cannabis industry by updating outdated laws. Assembly Bill 2188, signed in 2022, will prohibit employers from using the results of hair or urine tests for marijuana – which can detect traces of cannabis for days or weeks – in their decisions to hire, fire or penalize workers. Senate Bill 700, signed in 2023, clarifies AB 2188 by amending the state's Fair Employment and Housing Act to bar employers from asking job applicants about their prior use of cannabis.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of California.

### Colorado

On November 6, 2012, Colorado Amendment 64 was passed to amend Colorado's constitution, subsequently enacted as Article 18, section 16 of the Colorado constitution, addressing "personal use and regulation of cannabis" for adults 21 and over, as well as commercial cultivation, manufacture, and sale, effectively regulating cannabis in a manner similar to alcohol. Pursuant to the Retail Code adopted in April 2017, by the state of Colorado, licensed operators are subject to residency requirements. Medical and retail cannabis programs in the state are regulated by the Colorado Marijuana Enforcement Division ("MED") of the Department of Revenue.

Businesses must be licensed to operate a retail cannabis establishment including, retail cannabis stores; retail cannabis products manufacturers; retail cannabis cultivation facilities; retail cannabis testing facilities; retail cannabis transporters; and retail cannabis business operators. The state licensing authority must act on applications within 45 to 90 days after receipt. A license applicant must undergo a criminal background check and a license can be denied based on certain previous criminal convictions. All officers, managers, and employees of a retail cannabis business must be residents of Colorado, and all owners must be residents of Colorado for at least two years prior to applying for licensure.

As one of the first states to legalize recreational cannabis, Colorado has continued to advocate for the legalization of cannabis delivery services. On May 29, 2019, Colorado Governor Jared Polis signed House Bill 1234, to legalize cannabis delivery services in Colorado as long as local municipalities approve. The bill creates cannabis delivery permits for licensed medical cannabis centers and transporters and licensed retail cannabis stores and transporters that allow the centers, stores, and transporters to deliver medical cannabis, medical cannabis-infused products, retail cannabis, and retail cannabis products to customers. The bill gives the state licensing authority rule-making authority over the permit and delivery system. Medical cannabis delivery permitting began on January 2, 2020, and retail cannabis delivery permitting began on January 2, 2021. Gov. Polis pointed at the passing of legislation by saying, "We just passed the enabling legislation around that, beginning with medical marijuana and then moving to full regulated sale of marijuana so people exercise – in our state, it's a constitutional right to use marijuana in their home – [that right] without the risk of them using it somewhere else and driving. We're really looking at a wide variety of tactics to decrease that risk." The first permit was issued in March 2020.

On September 23, 2019, Attorney General of Colorado, Philip Weiser, was among a bipartisan coalition of 21 state Attorneys General, which urged Congress to pass the STATES Act of 2019 or similar measures that would allow legal cannabis-related businesses to access the banking system. "We are a bipartisan group of state and territorial attorneys general who share a strong interest in defending states' rights, protecting public safety, improving our criminal justice systems, and regulating new industries appropriately," said Attorney General Weiser. "Legislation like the proposed STATES Act is simply meant to ensure that if a state

or territory does choose to legalize some form of marijuana use – which at least 33 states and several territories have done – its residents are not subject to a confusing and dangerous regulatory limbo.”

In addition to House Bill 1234, a second law came into effect on January 1, 2020. House Bill 1230 allows two new types of cannabis-related businesses in the state. Businesses can apply to be licensed as a tasting room that can sell cannabis products on-site. The law also allows for “marijuana hospitality establishments,” which allow the on-site consumption of cannabis, but the not sale of it. Hospitality establishments can be mobile, such as a tour bus.

In July 2021, Gov. Polis established the Colorado Cannabis Business Office, whose mandate is to create new economic development opportunities, local job creation and community growth in the cannabis vertical for the population of Colorado.

Effective January 4, 2024, new cannabis laws and regulations went into effect in Colorado, addressing issues such as online retail sales, intoxicating hemp products, lab testing and hospitality. New laws and rules highlighted by the MED include:

- House Bill 23-1279: Lifts restrictions of online cannabis product orders and payments at retail stores.
- Senate Bill 23-271: Authorizes regulators to develop rules and potential restrictions regarding chemical modifications, conversions or synthetic derivatives of cannabinoids. The law also allows cultivators to source marijuana seeds, immature plants and genetics from providers within and outside of Colorado’s regulated market.
- House Bill 23-1021: Authorizes the MED to embargo and destroy regulated marijuana products when the health, safety or welfare of the public “imperatively requires emergency action.”
- Senate Bill 23-199: Allows operators to renew state license applications without local approval if documentation proves licensees sought local approval and have a valid reason why it was not obtained.
- A new allowance for operators to pay a Reduced Testing Allowance Certification Fee if they submit a form noting their understanding of testing rules and requirements, plus payment of the fee.

Several new rules also were enacted regarding the state’s hospitality sector and cannabis-consumption providers, including:

- Increasing sales allowances for retail marijuana hospitality businesses up to one ounce of flower, eight grams of concentrate and 100 milligrams of THC.
- Mandating that hospitality businesses provide consumers with information about safe transportation as well as establishing standard operating procedures to prevent overconsumption and transactions to those displaying visible signs of intoxication.
- Eliminating certain surveillance requirements in areas where spa services are provided.

To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Colorado.

### Nevada

In 2001, the use of medical cannabis was legalized in Nevada, and state-certified medical cannabis establishments, like dispensaries, became operational in 2015. The Nevada Medical Marijuana Program is governed by Nevada Revised Statute (“NRS”) 453A and Nevada Administrative Code 453A. Patients meeting certain criteria can apply for a Nevada medical marijuana card. The medical cannabis card allows patients to legally purchase cannabis from a state-certified medical cannabis dispensary and a registry of medical cannabis patient cardholders is administered by the Division of Public and Behavioral Health.

The sale of cannabis for adult-use in Nevada was approved by ballot initiative on November 8, 2016 and NRS 453D exempts a person who is 21 years of age or older from state or local prosecution for possession, use, consumption, purchase, transportation or cultivation of certain amounts of cannabis and requires the Nevada Department of Taxation (“NDT”) to begin receiving applications for the licensing of cannabis establishments on or before January 1, 2018. As of July 1, 2017, NDT is responsible for licensing and regulating and retail cannabis businesses in Nevada and for the state medical cannabis program. The legalization of retail cannabis does not change the medical cannabis program.

Licensing and operations requirements for production and distribution of medical cannabis are set out in NRS 435A. Each medical cannabis establishment must register with the NDT and apply for a medical cannabis establishment registration certificate. Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical cannabis establishment as well as restrictions relating to the age and criminal background of employees, owners, officers, and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any

previous felony conviction or had a previously granted medical cannabis registration revoked. Additionally, each volunteer, employee, owner, officer, and board member of a medical cannabis establishment must be registered with the NDT as a medical cannabis agent and hold a valid medical cannabis establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical cannabis establishment will sell or deliver edible cannabis products or cannabis-infused products, proposed operating procedures for handling such products which must be preapproved by the NDT.

On October 11, 2019, former Nevada Governor Steve Sisolak had expressed outrage and vowed to tighten control of the state's lucrative legal cannabis marketplace in response to reports that a foreign national contributed to two top state political candidates last year in a bid to skirt rules to open a legal cannabis store. Gov. Sisolak declared in a statement that there has been "lack of oversight and inaction" of the recreational and medical pot industry by the state Marijuana Enforcement Division. He also said he is commissioning a multi-agency task force to "root out potential corruption or criminal influences in Nevada's marijuana marketplace." Effective July 1, 2020, the medical cannabis program in Nevada is now administered by the Cannabis Compliance Board.

In June 2023, current Governor Joe Lombardo signed into law a bill which enacted significant changes in existing cannabis laws. For consumers, the primary change is an increase in the amount of cannabis that an adult can purchase and possess, with the existing limits increasing substantially in 2024. The statutory changes do not impact potential violations of criminal laws resulting from marijuana use, purchase, and possession, other than those relating to the amount of marijuana that an adult may buy and have in their possession. As of January 1, 2024, consumers who are at least 21 years old may possess, deliver, or produce up to two and a half (2.5) ounces of marijuana or one-quarter (1/4 or 0.25) of an ounce of THC concentrate. These changes significantly increase the existing permissible amounts of marijuana and THC, which are one (1.0) ounce of marijuana and one-eighth (1/8) of an ounce of THC. The statutory changes do not affect other limitations on recreational marijuana purchase and use, which require purchase only through a licensed dispensary and prohibit consumption of marijuana in public. As under existing law, violating any of the restrictions can still result in a criminal charge after the increased limits go into effect.

Senate Bill 277, the legislation that included the increased limits also contains other substantial changes to existing marijuana laws that primarily affect licensees and dispensaries, as well as ownership and employment in the cannabis industry. Some changes took effect immediately, but most become effective on January 1, 2024, at the same time as the increased purchase and possession limits go into effect.

The new law also allows cannabis retailers to have more than one entrance, as long as each entrance is secure. Previously, cannabis establishments were permitted only a single secure entrance. In addition, the amendments lift the excise tax on medicinal cannabis sales and allows local governments to use tax revenue from marijuana sales for public education campaigns concerning safe consumption and identifying the difference between legal and illegal retail operations.

Other provisions allow a person with a felony conviction to apply for and receive a license for operating a marijuana business, if the Nevada Cannabis Control Board ("CCB") determines that doing so would not pose a threat to public health or safety or negatively affect the industry. In granting the license, the CCB must impose any conditions it deems necessary to preserve the health and safety and mitigate the impact of the exemption. With the exception of the new higher limits for recreational purchase and possession, the new law did not change the criminal laws that apply to marijuana use and purchase in the state.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Nevada.

### Oregon

At present, the state of Oregon has both medical and adult-use cannabis programs. In 1998, Oregon voters passed a limited non-commercial patient/caregiver medical cannabis law with an inclusive set of qualifying conditions that include chronic pain. In 2013, the Oregon legislature passed, and House Bill 3460 created a regulatory structure for existing unlicensed medical cannabis businesses. However, the original regulations created by the Oregon Health Authority ("OHA") after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and infused-product manufacturers within the unregulated patient/caregiver system. On June 30, 2015, former Oregon Governor Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical cannabis businesses and created a licensing process for cultivators (growers) and processors. The OHA is the state agency that licenses and regulates medical cannabis businesses. The medical cannabis regulatory framework is referred to as the Oregon Medical Marijuana Program.

## Quinsam Capital Corporation

Management's Discussion and Analysis  
For the Year ended December 31, 2023

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In November of 2014, Oregon voters passed Measure 91, the "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act," creating a regulatory system for individuals 21 years of age and older to purchase cannabis for personal use from licensed retail cannabis stores, as well as cultivating cannabis at home. The OLCC licenses and regulates adult-use cannabis businesses. On October 15, 2015, the OLCC published draft recreational cannabis rules, which were finalized and took effect on June 29, 2016, as OLCC Division 25 of the Oregon Administrative Rules ("OAR Division 25"). These rules have been updated on a regular basis since that time, due to administrative prerogative and legislative changes. Currently licensed cannabis companies in Oregon are not subject to residency requirements. OAR Division 25 will continue to evolve and there is no certainty that changes will not adversely affect the Company's operations or financial results, as the changes are subject to OLCC's review and approval.

In Oregon, there are six types of recreational cannabis licenses for commercial uses: Producer, Processor, Wholesaler, Retail, Laboratory, a Certificate for Research, and a Hemp Certificate. While there is no limit on the number of licenses being issued, state regulators in Oregon had temporarily discontinued processing new adult-use licenses effective June 15, 2018, due to an oversupplied recreational cannabis market and a backlog of applications in the state.

In February 2018, U.S. Attorney Billy Williams told a gathering that included Ms. Brown, law enforcement officials and representatives of the cannabis industry that Oregon has an "identifiable and formidable overproduction and diversion problem." In May 2018, Attorney Williams issued a memorandum spelling out five U.S. federal enforcement priorities for illegal cannabis operations that violate US federal laws, with the first priority to crack down on the leakage of surplus cannabis into bordering states where cannabis is still illegal. The memo also stated that U.S. federal prosecutors will also target keeping cannabis out of the hands of minors, any crimes that involve violence or firearm violations or organized crime, and cultivation that threatens to damage U.S. federal lands through improper pesticide and water usage.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in the state of Oregon.

### **Risk Factors**

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be adversely affected. In such case, the trading price of the Company's common shares could decline, and investors could lose all or part of their investment. The following is a summary of risks that could be applicable to the business of the Company:

#### *Portfolio exposure*

Given the nature of the Company's investment activities, its results of operations and financial condition are dependent upon the market value of securities that comprise the Company's investments portfolio. Quinsam invests primarily in small-cap businesses which the Company believes exhibit potential for growth and sustainable cash flows, but which may not ever mature or generate returns the Company expects or may require a number of years to do so.

Cannabis companies may never achieve commercial discoveries and productions. This may create an irregular pattern in the Company's revenue and profitability. Additionally, macro factors such as fluctuations in commodity prices and global political, economic and market conditions could all have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on the sectors as compared to the overall market, thereby negatively impacting one or more of the portfolio Investees concurrently.

#### *Risks related to the U.S. regulatory environment*

As a specialty investor which has interest in the cannabis industry, the Company has made, and will continue to make, substantial investments in entities operating in a highly regulated industry which is rapidly evolving. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

Investees incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and

financial condition of the business units and, it may negatively affect the performance of the Company's investments portfolio.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Investees and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Investees' earnings and could make future capital investments or their operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants, and which cannot be reliably predicted.

**The Company is expected to have a substantial portion of its revenues derived from its investments in Investees that are engaged in the cannabis industry in certain states of the U.S., which industry is illegal under U.S. federal law. Quinsam is indirectly involved in cannabis-related activities in the U.S., through the entities held in the Company's investments portfolio, which may engage in the cultivation or distribution of cannabis in the U.S. The enforcement of relevant laws is a significant risk.**

**Over half of the states in the U.S. have enacted legislation to regulate the sale and use of medical cannabis without limits on THC, while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Other U.S. states had also legalized cannabis for adult use. Notwithstanding the permissive regulatory environment of medical or adult-use cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the FCSA. As such, cannabis-related practices, or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company and its Investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against them. Any such proceedings brought against the Investees may adversely affect the Company's financial performance.**

**Because of the conflicting views between state legislatures and the federal government of the U.S. regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the FCSA with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the U.S.**

#### *Regulatory changes and compliance*

The Company's activities, as well as those of the Investees, are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required for certain of its Investees to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on these Investees' business and results of operations, which may negatively affect the performance of the Company's investments portfolio.

Certain Investees' operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies, or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Investees' operations. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Investees may cause adverse effects to the Company's operations.

Local, state, and federal laws and regulations governing cannabis for medicinal and adult-use purposes are broad in scope and are subject to evolving interpretations, which could require certain Investees the invest to incur substantial costs associated with bringing the operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Investees' operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to

predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's investments portfolio.

*U.S. federal laws on cannabis industry*

**Cannabis is illegal under U.S. federal laws and enforcement of relevant laws is a significant risk.** Therefore, the business operations of many of the cannabis-related securities that the Company invests in, are dependent on U.S. state laws pertaining to the cannabis industry. Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacture and sale of cannabis, which would negatively impact the return on the Company's investments portfolio.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law. The FCSA classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices, or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. 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 Investees.

Violations of any U.S. federal law and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect, and as a result the Company, including their reputation and ability to conduct business, their holdings (directly or indirectly) of medical cannabis licenses in the U.S., and the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of their publicly-traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

To the Company's knowledge, 38 states, the District of Columbia, Puerto Rico and Guam allow their residents to use medical cannabis as of the date of this MD&A. Voters in the states of Alaska, Arizona, California, Colorado, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont, Virginia and Washington have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The state laws are in conflict with the FCSA, which makes cannabis use and possession illegal on a national level. The former Obama administration has made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical cannabis. There is no guarantee that President Biden and his administration will not change the government's stated policy regarding the low-priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible.

**Any changes in the U.S. federal government's enforcement of current U.S. federal law could cause adverse financial impact and remain a significant risk to the Company and its Investees' businesses, which could in turn have an impact on the Company's investments portfolio and financial results.**

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company's operations. Local, state, and federal medical cannabis laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Investees to incur substantial costs associated with legal and compliance fees and ultimately require the Investees to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt the business of the Investees and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to the business of the Investees, which could have on the Company's investments portfolio.

*Local regulation could change and negatively impact on the Company's operations*

Most U.S. states that permit cannabis for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use cannabis businesses in their jurisdiction. If local municipalities where the Investees or their

Licensed Operators have established facilities decide to prohibit cannabis businesses from operating, the Investees or their Licensed Operators could be forced to relocate operations at great cost to the Investees, and the Investees or their Licensed Operators may have to cease operations in such state entirely if alternative facilities cannot be secured.

*Reliance on securing agreements with Licensed Producers*

The regulatory framework in most states may restrict the Investees from obtaining a License to grow, store and sell cannabis products. As such, these Investees rely on securing agreements with Licensed Producers in the targeted jurisdiction that have been able to obtain a License with the appropriate regulatory authorities. Failure of a Licensed Producer to comply with the requirements of their License or any failure to maintain their License would have a material adverse impact on the business, financial condition and operating results of the Investees, and indirectly, the operations of the Company. Should the regulatory authorities not grant a License or grant a License on different terms unfavorable to the Licensed Operators, and should the Investees be unable to secure alternative Licensed Operators, the business, financial condition and results of the operation of the Investees would be materially adversely affected.

If the U.S. federal government changes its approach to the enforcement of laws relating to cannabis, the Investees would need to seek to replace those tenants with non-cannabis tenants, who would likely pay lower rents. It is likely that the Investees would realize an economic loss on its capital acquisitions and improvements made to its capital assets specific to the cannabis industry, and the Investees would likely lose all or substantially all of its investments in the markets affected by such regulatory changes.

The Investees may have advanced, and may continue to advance, significant funds to potential sellers in the form of promissory notes, which the Investees may not be able to collect if the sellers fail to profitably operate its business. There is no assurance that any or all of the amounts loaned will be recovered by the Investees.

*Reliance on third-party suppliers, manufacturers, and contractors*

Some of the Investees may intend to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the U.S., these Investees' third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Investees' operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Investees' business and operational results, which could have on the Company's investments portfolio.

*Cash flows and revenue*

The Company generates revenue and cash flows primarily from proceeds from the disposition of its investments, in addition to a lesser degree income from interest, dividend and financial advisory services. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company's direct control. The Company's liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of the Company's investments decline, resulting in lesser proceeds of disposition and capital losses for the Company upon disposition.

*Share prices of investments*

The Company's investments in securities of public companies are subject to volatility in the share prices of these Investee companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the control of the Company, including quarterly variations in the subject companies' results of operations, changes in earnings, analyst estimates, industry conditions and general market and economic conditions. Such fluctuations could adversely affect the market price of the Company's investments and significantly negatively impact upon the Company's operating results.

*Private or illiquid securities*

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company

will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

*Dependence on management*

The Company is dependent upon the efforts, skill and business contacts of key members of management, for among other things, the information and deal flow they generate during the normal course of their activities and the synergies which exist amongst their various fields of expertise and knowledge. Accordingly, the Company's continued success will depend upon the continued service of these individuals who are not obligated to remain employed with the Company. The loss of the services of any of these individuals could have a material adverse effect on the Company's revenues, net income and cash flows and could harm the Company's ability to maintain and grow existing assets and raise additional funds in the future.

*Limited market for securities*

There can be no assurance that an active and liquid market for the Company's common shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

*The market price of securities is volatile and may not accurately reflect the long-term value of the Company*

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the shares and warrants may be due to the Company's operating results or its U.S. Investees' operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

*Additional financing requirements*

The Company anticipates ongoing requirements for funds to support the Company's growth and may seek to obtain additional funds for these purposes through public or private equity share offerings. There are no assurances that additional funding will be available to the Company at all, on acceptable terms or prices. Any additional equity financings may cause shareholders to experience dilution. Any limitations on the Company's ability to access the capital markets for additional funds could have a material adverse effect on the Company's ability to grow its investments portfolio.

*Ability to access public and private capital*

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. Since the Company began investing in entities operating in the cannabis market as a focused specialty investor, it has completed private placement financings ("Offerings"), including the October 2017 Offering which raised \$2.4 million of capital, the December 2017 Offering which raised \$11.5 million, and the March 2018 Offering which raised \$13.1 million for the Company. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants, given that cannabis is illegal under U.S. federal law. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company has never needed to access public equity capital in the U.S.

*Internal controls*

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures to help ensure the reliability of its financial reports, including those required



of the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations, or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the value of the Company's equity securities.

#### *Data breaches and privacy law*

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws. The Company has previously provided medical cannabis to patients and maintains patient records. Due to the sensitive nature of this information, the Company could be found liable if a breach of security at its facility resulted in the theft, loss, or mishandling of electronic data. If such a breach did occur, the Company could be liable for fines, penalties and for any third-party liability which could result in a material adverse effect to the financial or operating condition of the Company.

#### *Liability for activity of employees, contractors, and consultants*

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

#### *Disruption of business*

Conditions or events including, but not limited to, those listed below could disrupt the Company's and its Investees' operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

#### *Geopolitical risks*

The Company's business, operations and financial condition could be materially adversely affected by Investees, whose operations may be located at countries or regions which have high geopolitical risks. For example, while the 2021–2022 Russo-Ukrainian crisis and the 2023 Israel-Hamas conflict have spurred a rally in precious metal prices including gold and silver, of which both are minerals that certain investee companies in the Company's investments portfolio are exploring for, it may have significant long-term impact on investee companies from the mining sector which have operations in Eastern Europe. While these effects are expected to be temporary, the duration of any potential business disruptions and related financial impact cannot be reasonably estimated at this time. Such crises can result in increased cost of operations for investee companies with the mining sector, which may have a material adverse effect on the Company's business, results of operations and financial condition.

### **Use of Non-IFRS Financial Measures**

This MD&A contains references to "net asset value per share" (basic and diluted), or NAV, which is a non-IFRS financial measure. NAV is calculated as the value of total assets less the value of total liabilities divided by the total number of common shares outstanding as at a specific date. NAV (diluted) is calculated as total assets less total liabilities divided by the total number of common shares of the Company outstanding as at a specific date, calculated based upon the assumption that all outstanding securities of the Company that are convertible into or exercisable for common shares have been converted or exercised. The term NAV does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies. There is no comparable IFRS financial measure presented in Quinsam's financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial measure. The Company believes that the measure

provides information useful to its shareholders in understanding our performance and may assist in the evaluation of the Company's business relative to that of its peers.

### **Disclosure of Internal Controls over Financial Reporting**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

### **Caution Regarding Forward-Looking Information**

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions, or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, our ability to realize sufficient proceeds from the disposition of our investments in order to fund our obligations as they become due (which will be based upon market conditions beyond our control), market fluctuations, fluctuations in prices of commodities underlying our interests and equity investments, the strength of the Canadian, the U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's investments portfolio are located, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Risk Management" and in the Company's current annual information form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under Quinsam's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

**Management's Responsibility for Financial Information**

Management is responsible for all information contained in this MD&A. The 2023 Financial Statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the 2023 Financial Statements in all material aspects.

The Audit Committee of the Board has reviewed the 2023 Financial Statements and this MD&A with management of Quinsam. The Board has approved the 2023 Financial Statements and this MD&A on the recommendation of the Audit Committee.

**April 28, 2024**

Roger Dent  
Chief Executive Officer