CANOPY GROWTH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020

June 1, 2020

This document (this "MD&A") contains information under the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" which has been excerpted from our Annual Report on Form 10-K (the "Annual Report") filed concurrently with this MD&A on the date hereof on our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. This MD&A should be read in conjunction with our Annual Report, including the consolidated financial statements and the related notes thereto included in Item 8, as well as Part I, Item 1 "Business", Part I, Item 1A "Risk Factors" and Part II, Item 6 "Selected Financial Data", and incorporates by reference herein Item 1A "Risk Factors" from our Annual Report. Defined terms used herein but otherwise not defined have the meaning ascribed to them in the Annual Report.

Special Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which involve certain known and unknown risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and the performance of our investments. These forward-looking statements are generally identified by their use of such terms and phrases as "intend," "goal," "strategy," "estimate," "expect," "project," "projections," "forecasts," "plans," "seeks," "anticipates," "potential," "proposed," "will," "should," "could," "would," "may," "likely," "designed to," "foreseeable future," "believe," "scheduled" and other similar expressions. Our actual results or outcomes may differ materially from those anticipated. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

Forward-looking statements include, but are not limited to, statements with respect to:

- the uncertainties associated with the COVID-19 pandemic, including our ability to continue operations, the ability of our suppliers and distribution channels to continue to operate, and the use of our products by consumers, and disruptions to the global and local economies due to related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. hemp (including CBD) products and the scope of any regulations by the U.S. Federal Drug Administration (the "FDA"), the U.S. Federal Trade Commission (the "FTC"), the U.S. Patent and Trademark Office (the "USPTO"), the U.S. Department of Agriculture (the "USDA") and any state equivalent regulatory agencies over U.S. hemp (including CBD) products;
- expectations regarding the regulation of the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the USDA;
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, joint ventures, strategic alliances and equity investments;
- the plan of arrangement (the "Acreage Arrangement") with Acreage Holdings, Inc. ("Acreage"), including the consummation of such acquisition upon the occurrence or waiver of changes in U.S. federal law to permit the general cultivation, distribution and possession of marijuana or to remove the regulation of such activities from the federal laws of the United States and our intention to waive such condition as soon as the policies of the New York Stock Exchange (the "NYSE") and/or the Toronto Stock Exchange (the "TSX") permit completion of the acquisition, provided that completion of the acquisition would not violate any third-party agreements, including those entered into by us with Constellation Brands, Inc. ("CBI") and its affiliates (together, the "CBI Group");
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the ability to successfully create and launch brands and further create, launch and scale cannabis-based products and U.S. hemp-derived consumer products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- the anticipated benefits and impact of the CBI Group Investments (as defined below);
- the potential exercise of the CBG Warrants (as defined below) held by the CBI Group, pre-emptive rights and/or top-up rights in connection with the CBI Group Investments, including proceeds to us that may result therefrom or the potential conversion of Canopy Notes (as defined below) held by the CBI Group in connection with the CBI Group Investments;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the CBI Group Investments;
- the legalization of the use of cannabis for medical or recreational in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- our ability to execute on our strategy and the anticipated benefits of such strategy;

- the ongoing impact of the legalization of additional cannabis product types and forms for recreational use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the ongoing impact of developing provincial, territorial and municipal regulations pertaining to the sale and distribution of cannabis, the related timing and impact thereof, as well as the restrictions on federally regulated cannabis producers participating in certain retail markets and our intentions to participate in such markets to the extent permissible;
- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- our ability or plans to identify, develop, commercialize or expand our technology and research and development ("R&D") initiatives in cannabinoids, or the success thereof;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the expected growth in our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal proceedings;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels;
- the expected methods to be used to distribute and sell our products;
- our future product offerings;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network; and
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements.

Certain of the forward-looking statements contained herein concerning the industries in which we conduct our business are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of these industries, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. The industries in which we conduct our business involve risks and uncertainties that are subject to change based on various factors, which are described further below.

The forward-looking statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including: (i) management's perceptions of historical trends, current conditions and expected future developments; (ii) our ability to generate cash flow from operations; (iii) general economic, financial market, regulatory and political conditions in which we operate; (iv) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (v) consumer interest in our products; (vi) competition; (vii) anticipated and unanticipated costs; (viii) government regulation of our activities and products including but not limited to the areas of taxation and environmental protection; (ix) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (x) our ability to obtain qualified staff, equipment and services in a timely and cost-efficient manner; (xi) our ability to conduct operations in a safe, efficient and effective manner; (xii) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations; (xiii) our ability to continue to operate in light of the COVID-19 pandemic and the impact of the pandemic on demand for, and sales of, our products and our distribution channels; and (xiv) other considerations that management believes to be appropriate in the circumstances. While our management considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the forward-looking statements in this Annual Report and other reports we file with, or furnish to, the Securities and Exchange Commission (the "SEC") and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, the risk that the COVID-19 pandemic may disrupt our operations and those of our suppliers and distribution channels and negatively impact the use of our products; consumer demand for cannabis and U.S. hemp products; that cost savings and any other synergies from the CBI Group Investments may not be fully realized or may take longer to realize than expected; future levels of revenues; our ability to manage disruptions in credit markets or changes to our credit rating; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); the potential effects of judicial or other proceedings on our business, financial condition, results of operations and cash flows; volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; the anticipated effects of actions of third parties such as competitors, activist investors or federal, state, provincial, territorial or local regulatory authorities, self-regulatory organizations, plaintiffs in litigation or persons threatening litigation; changes in regulatory requirements in relation to our business and products; and the factors discussed under the heading "Risk Factors" in this Annual Report. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Forward-looking statements are provided for the purposes of assisting the reader in understanding our financial performance, financial position and cash flows as of and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that the forward-looking statements may not be appropriate for any other purpose. While we believe that the assumptions and expectations reflected in the forward-looking statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-looking statements are made as of the date they are made and are based on the beliefs, estimates, expectations and opinions of management on that date. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by law. The forward-looking statements contained in this Annual Report and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf are expressly qualified in their entirety by these cautionary statements.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

This Management's Discussion and Analysis ("MD&A"), which should be read in conjunction with our consolidated financial statements and the notes thereto as at and for the year ended March 31, 2020 included in Item 8 of this Annual Report (the "Financial Statements"), provides additional information on our business, current developments, financial condition, cash flows and results of operations. It is organized as follows:

- *Part 1 - Business Overview.* This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.

- *Part 2 - Results of Operations.* This section provides an analysis of our results of operations for (1) fiscal 2020 in comparison to fiscal 2019; and (2) fiscal 2019 in comparison to fiscal 2018.

- *Part 3 - Financial Liquidity and Capital Resources.* This section provides an analysis of our cash flows and outstanding debt and commitments. Included in this analysis is a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments.

- *Part 4 - Critical Accounting Policies and Estimates.* This section identifies those accounting policies that are considered important to our results of operations and financial condition, require significant judgment and involve significant management estimates. Our significant accounting policies, including those considered to be critical accounting policies, are summarized in Note 3 of the Financial Statements.

We prepare and report our Financial Statements in accordance with U.S. GAAP. Our Financial Statements, and the financial information contained herein, are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated. We have determined that the Canadian dollar is the most relevant and appropriate reporting currency as, despite continuing shifts in the relative size of our operations across multiple geographies, the majority of our operations are conducted in Canadian dollars and our financial results are prepared and reviewed internally by management in Canadian dollars.

In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed in Part 1, Item 1A, "Risk Factors" in this Annual Report.

Part 1 - Business Overview

We are a leading cannabis company with operations in countries across the world. We produce, distribute and sell a diverse range of cannabis and hemp-based products and other consumer products for both recreational and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, and globally pursuant to applicable international and Canadian legislation, regulations and permits.

On October 17, 2018, the *Cannabis Act* came into effect in Canada, regulating both the medical and recreational cannabis markets in Canada and providing provincial, territorial and municipal governments the authority to prescribe regulations regarding the distribution and sale of recreational cannabis. On October 17, 2019, the second phase of recreational cannabis products, specifically, ingestible cannabis, cannabis extracts and cannabis topical products (referred to as "Cannabis 2.0"), were legalized pursuant to certain amendments to the regulations under the *Cannabis Act*. We began selling our cannabis-infused chocolates in early January 2020 across Canada and our cannabis-infused beverage offerings across Canada in March 2020, both complementing our existing flower, oil and softgel products. We introduced our vape pen power sources to customers in January 2020 and our pod-based vape devices in March 2020. Our 510-threaded vape cartridges began shipping into the market in April 2020, with product availability varying based on provincial and territorial regulations. Our recreational cannabis products are predominantly sold to provincial and territorial agencies under a "business-to-business" wholesale model, with those provincial and territorial agencies then being responsible for the distribution of our products to brick-and-mortar stores and for online retail sales. We have also opened a network of Tweed and Tokyo Smoke retail stores across Canada, where permissible, to promote brand awareness and drive consumer demand under a "business-to-consumer" model.

Our Spectrum Therapeutics medical division is a global leader in medical cannabis. Spectrum Therapeutics produces and distributes a diverse portfolio of medical cannabis products to healthcare practitioners and medical customers in Canada, and in several other countries where it is federally permissible to do so, and Spectrum Therapeutics also offers education, resource and support programs.

Subsequent to the passage of the 2018 Farm Bill in December 2018, we began building our hemp supply chain in the United States through our investment in hemp growing capability and in processing, extraction and finished goods manufacturing facilities. We began selling a line of hemp-derived CBD isolate products under the First & Free brand in December 2019, including oils and softgels. First & Free topical creams followed in April 2020. In June 2019, we executed the Acreage Arrangement Agreement with Acreage, a U.S. multi-state cannabis operator, that grants us the right and the obligation, subject to the satisfaction or waiver of the conditions to closing set forth in the Acreage Arrangement Agreement, to acquire all of the issued and outstanding securities of Acreage upon the occurrence (or waiver) of the Triggering Event. The acquisition of Acreage, if completed, will provide a pathway into cannabis markets in the United States; however, we and Acreage will continue to operate as independent companies until the acquisition of Acreage is completed.

Our other product offerings, which are sold by our subsidiaries in jurisdictions where it is permissible to do so, include (i) vaporizers sold by Storz & Bickel; (ii) beauty, skincare, wellness and sleep products, some of which have been blended with hemp-derived CBD isolate, sold by This Works; and (iii) sports nutrition beverages, mixes, protein, gum and mints, some of which have been infused with hemp-derived CBD isolate, sold by BioSteel.

Our products contain THC, CBD, or a combination of these two cannabinoids which are found in the Cannabis sativa plant species. THC is the primary psychoactive or intoxicating cannabinoid found in cannabis. We also refer throughout this MD&A to “hemp”, which is a term used to classify varieties of the Cannabis sativa plant that contain CBD and 0.3% or less THC content (by dry weight). Conversely, the term “marijuana” refers to varieties of the Cannabis sativa plant with more than 0.3% THC content and moderate levels of CBD.

Our licensed operational capacity in Canada includes indoor, greenhouse and outdoor cultivation space; post-harvest processing and cannabinoid extraction capability; advanced manufacturing capability for vape products, softgel encapsulation and pre-rolled joints; a beverage production facility; and a chocolate manufacturing facility. These infrastructure investments allow us to supply the recreational and medical markets with a complimentary balance of flower products and extracted cannabinoid input for our oil, CBD and Cannabis 2.0 products. Additionally, we have built a hemp supply chain in the United States, and we hold the necessary licences to cultivate and produce cannabis in Denmark, allowing us to supply the domestic European market.

We operate in two reportable segments:

- Cannabis, Hemp and Other Consumer Products, which encompasses the production, distribution and sale of a diverse range of cannabis, hemp-based, and other consumer products in Canada and internationally pursuant to applicable international and domestic legislation, regulations and permits; and
- Canopy Rivers, a publicly-traded company in Canada, through which we provide growth capital and strategic support in the global cannabis sector, where federally lawful. Canopy Rivers did not generate net revenue in the three years ended March 31, 2020.

Update on COVID-19

In March 2020, the WHO recognized COVID-19 as a global pandemic. COVID-19 has severely restricted the level of economic activity around the world. In response to COVID-19, the governments of many countries, states, provinces, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily.

Management has been closely monitoring the impact of COVID-19, with a focus on the health and safety of our employees, business continuity and supporting our communities. We have established a COVID-19 Management Committee and implemented various measures to reduce the spread of the virus including requiring that our non-production employees work from home, restricting visitors to production locations, screening employees with infrared temperature readings and requiring them to complete health questionnaires on a daily basis before they enter facilities, implementing social distancing measures at our production locations, enhancing facility cleaning protocols, and encouraging employees to adhere to preventative measures recommended by the WHO. As our production and manufacturing operations in Canada and Europe have been deemed essential, we have been operating under the preventative measures described above. In addition, since our non-production workforce can effectively work remotely using various technology tools, we are able to maintain our full operations and internal controls over financial reporting and disclosures.

We temporarily closed our 22 corporate-owned retail stores on March 17, 2020; as of May 29, 2020, 20 of these retail stores have re-opened and are operating at reduced hours and accepting online and phone orders for delivery or curbside pickup only. All of our Tweed and Tokyo Smoke retail licensees in Ontario have implemented curbside pickup, and certain of these locations have implemented same-day delivery. Our Canadian medical business, which operates as an ecommerce channel, has continued largely unchanged. Our international medical business operates primarily as a pharmacy model, with pharmacies being deemed essential businesses in Germany and other European countries in which we conduct business.

We have supported our communities by donating 75,000 pieces of personal protective equipment for front-line workers to various levels of government in jurisdictions in which we operate. This Works has provided its hand sanitizer to front-line workers and homeless shelters in the United Kingdom, and BioSteel has pledged up to $2 million of its hydration mix to front-line workers, hospitals and patients.

At this time, we are unable to estimate the long-term impact of COVID-19 on our business, financial condition, results of operations, and/or cash flows. We expect COVID-19 to negatively affect our results of operations for the first quarter of fiscal 2021 and, if the effects of the COVID-19 outbreak continue, our results so long as the measures used to contain the outbreak remain in effect. We believe we have sufficient liquidity available from (i) cash, cash equivalents and short-term investments on hand of $1.3 billion and $673.3 million, respectively at March 31, 2020; and (ii) the cash injection of approximately $245 million from an indirect, wholly-owned subsidiary of CBI exercising its warrants to purchase our common shares on May 1, 2020 (see "Recent Developments" below).

Recent Developments

In the three months ended March 31, 2020, we commenced an organizational and strategic review of our business which resulted in the following restructuring actions designed to improve organizational focus, streamline operations and align our production capability with projected demand: (i) the closure of certain of our greenhouses as they are no longer essential to our Canadian cannabis cultivation footprint; (ii) exiting non-strategic geographies, including South Africa and Lesotho and our hemp farming operations in New York, and shifting our strategy in Colombia; and (iii) rationalizing certain marketing and research and development activities. We recorded a write-down of inventory related to these restructuring actions, as well as for additional amounts deemed excess based on current and projected demand. As a result of these restructuring actions, we recorded pre-tax charges totaling $742.9 million in the fourth quarter of fiscal 2020 and eliminated approximately 600 full-time positions. These charges are detailed below under "Part 2 – Results of Operations".

On May 1, 2020, an indirect, wholly owned subsidiary of CBI exercised an aggregate of 18,876,901 warrants to purchase our common shares. The warrants, which were originally issued on November 2, 2017, were exercised at an average price of $12.9783 per common share for an aggregate of approximately $245 million. Upon issuance, the common shares represented approximately 5.1% of our issued and outstanding common shares. As a result of the acquisition of new common shares, CBI now indirectly holds, in the aggregate, 142,253,802 common shares, 139,745,453 warrants to purchase common shares and $200 million principal amount of senior notes. Collectively, the common shares increase CBI's ownership to 38.6% of our issued and outstanding common shares. Assuming full exercise of all remaining warrants and full conversion of the notes (but for these purposes excluding any effect from the exercise of our rights under the Acreage Arrangement Agreement), CBI would own approximately 55.8% of our issued and outstanding common shares.

Factors Impacting our Business

We believe our future success will primarily depend on the following factors:

Competition in Canadian recreational market. We face competition in the Canadian recreational cannabis market. The principal factors on which we compete with other Canadian license holders are the quality and variety of cannabis products, the speed with which our product offerings are brought to market, brand recognition, pricing, and product innovation. For example, we have recently seen increased competition in the value-priced dried flower category of the recreational market, both in terms of the number of competitive offerings and aggressive pricing strategies adopted by some market participants. We believe our renewed focus on becoming a leading consumer insights, analytics and product development company that matches products and consumer preferences in the cannabis market, including evolving our value category strategy, will enable us to provide better quality consumer products, grow our Canadian business and capture increased market share in Canada.

Product innovation. We believe a significant opportunity exists to expand our total addressable market and create new consumer categories by developing innovative new recreational products that include cannabis and cannabinoids as ingredients. Accordingly, we have been focused on conducting research and product development related to our Cannabis 2.0 products that we began selling in Canada in January 2020, including cannabis-infused craft chocolates, vaping products, and cannabis-infused beverages. Additionally, in the fourth quarter of fiscal 2020 BioSteel launched its line of "CBD For Sport" nutrition beverages in the United States, and This Works introduced a line of CBD-infused skincare solutions in April 2020 in select European markets and certain U.S. states. We believe our success will depend on market acceptance of these products, our ability to execute on introducing our products to market, our ability to position our differentiated products as premium offerings in order to capture a higher relative gross margin as compared to our dried flower offerings, and our ability to continually develop and introduce new products that delight our consumers. Further, the costs associated with research, development and implementation of new products will affect our profitability.

Retail store build-out across Canada. Pursuant to the *Cannabis Act*, the distribution model for recreational cannabis is prescribed by provincial and territorial regulations and differs in each jurisdiction. Some provinces have government-run retailers, while others have government-licensed retailers, and some have a combination of the two. All of our recreational sales are conducted according to the applicable provincial and territorial legislation and through applicable local agencies. We believe that the province of Ontario continues to be under-served on a per capita basis. After a restricted lottery-based retail rollout, the government of Ontario announced on December 12, 2019 changes to the cannabis licensing regulations under the *Cannabis License Act, 2018*. The government of Ontario announced several changes to the licensing rules governing private cannabis retail stores in Ontario that will have an immediate positive impact on Ontario's access to the regulated recreational market, and we expect the continued expansion of retail stores in Ontario. We believe the province of Ontario can support upwards of 1,000 retail stores within the province, and we anticipate the retail store authorizations will focus on the greater Toronto area and southern Ontario, which has a significantly higher population density. Additionally, on February 10, 2020, the government of Ontario initiated public consultations on providing consumers with more choice and convenience on cannabis, including consumption venues. We believe that an increase in the number of retail stores across Canada will result in an increase in demand for our products from the provincial and territorial agencies responsible for procuring product from licensed producers. Further, we believe that the presence of retail stores provides the ability to expand our addressable market, both through consumer education and further limiting the illicit market. The costs associated with this buildout of our network of Tweed and Tokyo Smoke branded retail stores where permissible in Canada are expected to affect our profitability, as the strategy requires significant capital and other expenditures.

Commercialization activities in the United States. In December 2019, we launched a line of hemp-derived CBD oils and softgels under the First & Free brand in certain U.S. states where not prohibited under state law, followed by a line of topical cream products in April 2020. We expect the scope of our U.S. CBD business under the First & Free brand to increase beginning in the first half of fiscal year 2021, as we expand our distribution network and product formats. Additionally, as highlighted above, we also launched our first line of BioSteel's CBD-infused sports nutrition beverages in the U.S. and This Works' first CBD-blended skincare products. We believe our success will depend on our ability to distribute our CBD-based products in the U.S. and bring them to market through best-in-class sales execution on our ecommerce platform and into retail points of sale, our ability to position, brand and differentiate our products in the highly-fractured U.S. CBD market, and our ability to continually develop and introduce new products.

Increasing access to medical cannabis products in Canada and select European markets. Our success will depend on our ability to leverage our position as a trusted leader in the medical cannabis markets in Canada and select European countries, including Germany, by offering a wide range of cannabis products across a variety of brands, formats and strains that serve the needs of our customers. We are also introducing new medical cannabis delivery devices to our medical customers, including the Storz & Bickel Volcano Medic 2 vaporizer that was issued a license by Health Canada in April 2020 for medical use. In Europe, we are focused on providing a diverse portfolio of medically-validated cannabis products and best-in-class education and support programs to medical customers and healthcare practitioners, with our primary focus being Germany. In April 2019, we acquired C^3, Europe's largest cannabinoid-based pharmaceuticals company and a leading manufacturer of dronabinol, a registered active pharmaceutical ingredient in Germany and certain other European countries. The addition of dronabinol has allowed us to expand our portfolio of medical cannabis offerings for our customers in countries where permissible. Expansion may come in the form of acquisitions or organic growth, either of which will require expenditure of capital that may negatively impact our profitability as we seek to scale the reach of our business in these markets.

Part 2 - Results of Operations

Fiscal 2020 Operational and Financial Highlights

The following table presents selected operational and financial information for the years ended March 31, 2020 and 2019:

	Year ended March 31, 2020	Year ended March 31, 2019	Change	% Change
Operational information:				
Kilogram and kilogram equivalents sold[1]	46,323	24,320	22,003	90%
Average selling price per gram - Recreational	$ 5.65	$ 7.20	$ (1.55)	(22%)
Average selling price per gram - Canadian Medical	$ 7.72	$ 8.90	$ (1.18)	(13%)
Average selling price per gram - International medical	$ 48.04	$ 13.57	$ 34.47	254%
Average selling price per gram - Medical	$ 14.76	$ 9.33	$ 5.43	58%
Kilograms harvested	137,330	46,927	90,403	193%
(CDN $000's, except share amounts and where otherwise indicated)				
Selected financial information:				
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%
Gross margin percentage	(8%)	12%	-	(20%)
Net loss	$ (1,387,440)	$ (712,025)	$ (675,415)	(95%)
Net loss attributable to Canopy Growth Corporation	$ (1,321,326)	$ (736,281)	$ (585,045)	(79%)
Loss per share - basic and diluted[2]	$ (3.80)	$ (2.76)	$ (1.04)	(38%)

[1]Kilogram equivalents refers to the conversion of cannabis oils and softgels to dried cannabis.

[2]For the year ended March 31, 2020, the weighted average number of outstanding common shares, basic and diluted, totaled 348,038,163 (year ended March 31, 2019 - 266,997,406).

The total quantity of cannabis sold in fiscal 2020 was 46,323 kilogram and kilogram equivalents, an increase from 24,320 kilogram and kilogram equivalents sold in fiscal 2019. The year-over-year increase was due primarily to the launch of the recreational cannabis market in October 2018, which resulted in a full year of recreational revenue contribution in the current year as compared to approximately five and a half months in the prior year.

Recreational cannabis accounted for 38,216 kilogram and kilogram equivalents sold in fiscal 2020 (82% of total cannabis sold), of which 87% was sold directly to the Canadian provinces and the remainder through our direct retail and on-line consumer channels. This compares to 88% sold through the business-to-business channel in fiscal 2019. Medical cannabis accounted for 8,107 kilogram and kilogram equivalents in fiscal 2020 (18% of total cannabis sold), which represented a slight increase from fiscal 2019 due primarily to the contribution from the acquisition of C^3 in April 2019.

The average selling price per gram, net of excise taxes metric reflects the shipments made during fiscal 2020. We believe this metric reflects the pricing we achieved on our sales during the period. The average selling price per gram, net of excise taxes, for our recreational products decreased year-over-year to $5.65 due largely to a general decline in selling prices for dried cannabis products since the opening of the Canadian recreational market in October 2018 and a shift in the product mix towards higher demand for our value-priced dried flower products that we introduced to the market in fiscal 2020. The average selling price per gram, net of excise taxes, for our medical products increased year-over-year to $14.76, primarily due to our acquisition of C^3 in April 2019.

We harvested 137,330 kilograms of cannabis in fiscal 2020, as compared to 46,927 kilograms in fiscal 2019, reflecting the year-over-year growth of our production capacity associated with the opening of the recreational cannabis market in October 2018.

Discussion of Fiscal 2020 Results of Operations

Revenue

The following tables present revenue by channel and revenue by form, respectively, for the years ended March 31, 2020 and 2019:

Revenue by Channel

(CDN $000's)	Year ended March 31, 2020	Year ended March 31, 2019	$ Change	% Change
Recreational revenue				
Business-to-business	$ 157,254	$ 117,388	$ 39,866	34%
Business-to-consumer	52,044	23,144	28,900	125%
	209,298	140,532	68,766	49%
Medical revenue				
Canadian	56,852	68,759	(11,907)	(17%)
International	67,975	10,091	57,884	574%
	124,827	78,850	45,977	58%
Other revenue	105,501	34,049	71,452	210%
Gross revenue	439,626	253,431	186,195	73%
Excise taxes	40,854	27,090	13,764	51%
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%

Revenue by Form

	Year ended March 31, 2020 *(CDN $000's)*	As a % of gross revenue	Kilograms and kilogram equivalents sold	March 31, 2019 *(CDN $000's)*	As a % of gross revenue	Kilograms and kilogram equivalents sold
Recreational revenue by form						
Dry bud	$ 238,099	54%	34,290	$ 82,643	33%	10,348
Oils, softgels and Cannabis 2.0 products	22,699	5%	3,926	57,889	23%	5,902
Other revenue adjustments[1]	(51,500)	(11%)	-	-	-	-
	209,298	48%	38,216	140,532	56%	16,250
Medical revenue by form						
Dry bud	35,863	8%	3,782	51,390	20%	5,984
Oil (Includes oils and softgels)	88,964	20%	4,325	27,460	11%	2,086
	124,827	28%	8,107	78,850	31%	8,070
Other revenue	105,501	24%	-	34,049	13%	-
Gross revenue	439,626	100%	46,323	253,431	100%	24,320
Excise taxes[2]	40,854			27,090		
Net revenue	$ 398,772			$ 226,341		

[1]Other revenue adjustments represent our determination of returns and pricing adjustments.

[2]Excise taxes is presented net of the impact from other revenue adjustments.

Net revenue in fiscal 2020 was $398.8 million, as compared to $226.3 million in fiscal 2019. The year-over-year increase is attributable to (i) the launch of the Canadian recreational cannabis market in October 2018, which resulted in a full year of recreational revenue contribution in the current year as compared to approximately five and a half months in the prior year; (ii) the year-over-year increase in medical revenue, which was primarily a result of the acquisition of C[3] in April 2019; and (iii) the year-over-year increase in other revenue, which was primarily due to our acquisition of This Works in May 2019 and a full year of revenue contribution from our acquisition of Storz & Bickel in December 2018.

Recreational

Canadian recreational revenue in fiscal 2020 was $209.3 million, as compared to $140.5 million in fiscal 2019. Revenue from the business-to-business channel in fiscal 2020 was $157.3 million, net of the impact of other revenue adjustments in the amount of $51.5 million associated with our determination of returns and pricing adjustments. These adjustments relate primarily to the restructuring of our oils and softgels portfolio in the second quarter of fiscal 2020. Comparatively, revenue from the business-to-business channel in fiscal 2019 was $117.4 million, and the year-over-year increase of $39.9 million is attributable to the opening of the Canadian recreational cannabis market on October 17, 2018. Revenue from the business-to-consumer channel was $52.0 million in fiscal 2020, an increase of $28.9 million from fiscal 2019 due to the opening of the Canadian recreational cannabis market and our build-out of our retail store platform in Canada.

Medical

Medical cannabis revenue in fiscal 2020 was $124.8 million, as compared to $78.9 million in fiscal 2019. Canadian medical revenue in fiscal 2020 was $56.9 million, a decrease of $11.9 million from fiscal 2019 due primarily to the transition of our medical customers to the Spectrum Therapeutics online store and its more medical-focused cannabis product offerings prior to the opening of the recreational market. In response, we continue to broaden our brand and medical cannabis product offerings available on the Spectrum Therapeutics online store in response to medical customer demand. International medical revenue in fiscal 2020 was $68.0 million, an increase of $57.9 million from fiscal 2019. Of the increase, $53.8 million was attributable to the acquisition of C^3 in April 2019, and the remainder was attributable to the year-over-year growth in our German medical revenue which resulted primarily from the resolution of the supply constraints we had previously experienced and which were associated with the opening of the recreational cannabis market in Canada.

Other

Other revenue is comprised of revenue related to vaporizers sold by Storz & Bickel; beauty, skincare, wellness and sleep products, some of which have been blended with hemp-derived CBD isolate, sold by This Works; sports nutrition beverages, mixes, protein, gum and mints, some of which have been infused with hemp-derived CBD isolate, sold by BioSteel; and other strategic revenue sources such as our clinic partners.

Other revenue in fiscal 2020 was $105.5 million, as compared to $34.0 million in fiscal 2019. The year-over-year increase is primarily attributable to the acquisitions of Storz & Bickel and This Works. The remainder of the increase is attributable to revenue from other strategic sources including BioSteel and clinic partners. Other revenue for fiscal 2019 consisted predominantly of revenue from our clinic partners and four months of revenue contribution from Storz & Bickel.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold and gross margin for the years ended March 31, 2020 and 2019:

(CDN $000's)	Year ended March 31, 2020	Year ended March 31, 2019	$ Change	% Change
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%
Cost of goods sold	$ 430,456	$ 198,096	$ 232,360	117%
Gross margin	(31,684)	28,245	(59,929)	(212%)
Gross margin percentage	(8%)	12%	-	(20%)

Cost of goods sold in fiscal 2020 was $430.5 million, as compared to $198.1 million in fiscal 2019. Our gross margin in fiscal 2020 was $(31.7) million, or (8%) of net revenue, as compared to gross margin of $28.2 million and gross margin percentage of 12% of net revenue in fiscal 2019. The year-over-year decrease in the gross margin percentage is attributable to:

- Charges totaling $132.1 million recorded in the fourth quarter of fiscal 2020, as described above under “Part 1 – Business Overview”. These charges included (i) restructuring charges in the amount of $55.9 million relating to excess hemp inventories in the United States and the closure of our greenhouses in Canada; and (ii) inventory write-downs in the amount of $76.2 million primarily related to aged, obsolete or unsaleable cannabis inventories and packaging within Canada.

- Inventory write-downs recorded in the second quarter of fiscal 2020 totaling $29.0 million associated with (i) excess finished recreational cannabis inventory and trim inventory related primarily to our evaluation of the estimated on-hand provincial and territorial inventory levels compared to forecasted "sell-in" rates of certain oils and softgel products which led to our conclusion that a portion of this inventory may not be sold within a reasonable timeframe; (ii) the impact on gross margin reflecting the returns and pricing adjustments relating primarily to the over-supply of certain oils and softgel products in the second quarter of fiscal 2020; and (iii) other adjustments related to excess inventory; and
- Charges totaling $4.7 million related to the flow-through of inventory step-up associated with fiscal 2020 business combinations.

Our adjusted gross margin percentage in fiscal 2020, excluding the items highlighted above, benefited from the following items as compared to our gross margin of 12% in fiscal 2019:

- A year-over-year decrease in the impact of operating costs relating to facilities not yet cultivating or processing cannabis, not yet producing cannabis-related products or having under-utilized capacity. In fiscal 2020 these costs amounted to $39.6 million and primarily related to start-up costs associated with our advanced manufacturing and beverage facilities in Smiths Falls, our greenhouse in Denmark, under-utilized capacity associated with our KeyLeaf extraction facility, and costs associated with our 2020 Canadian outdoor harvest. Comparatively, these costs amounted to $49.6 million in fiscal 2019 and related to the under-utilization of several of our larger cultivation facilities, including Delta, a number of zones in the Aldergrove greenhouse, the Mirabel, Quebec greenhouse which was in a pilot phase for the majority of the fiscal year, and the indoor facility in Fredericton, New Brunswick which was in a start-up phase; and
- A shift in the business mix in fiscal 2020 towards an increased contribution to our revenues from our higher-margin international medical business, most predominantly related to revenue attributable to C^3, and our higher-margin Storz & Bickel and This Works businesses.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2020 and 2019:

(CDN $000's)	Year ended March 31, 2020	Year ended March 31, 2019	$ Change	% Change
Operating expenses				
General and administrative	$ 304,635	$ 168,434	$ 136,201	81%
Sales and marketing	242,831	163,674	79,157	48%
Research and development	61,812	15,238	46,574	306%
Acquisition-related costs	20,840	23,394	(2,554)	(11%)
Depreciation and amortization	63,619	21,510	42,109	196%
Selling, general and administrative expenses	693,737	392,250	301,487	77%
Share-based compensation	258,104	173,283	84,821	49%
Share-based compensation related to acquisition milestones	62,172	100,164	(37,992)	(38%)
Share-based compensation expense	320,276	273,447	46,829	17%
Asset impairment and restructuring costs	623,266	-	623,266	-
Total operating expenses	$ 1,637,279	$ 665,697	$ 971,582	146%

Selling, general and administrative expenses

Selling, general and administrative expenses in fiscal 2020 were $693.7 million, as compared to $392.3 million in fiscal 2019.

General and administrative expense in fiscal 2020 was $304.6 million, as compared to $168.4 million in fiscal 2019. The year-over-year increase is primarily attributable to:

- Increased employee compensation and professional service costs associated with (i) enhancing our finance and information technology capabilities and meeting our public company compliance and regulatory requirements, including costs associated with the loss of our foreign private issuer status and our transition to U.S. GAAP; and (ii) regional management and government and regulatory relations support, as we expanded our operations into the United States and internationally. The increased costs include both professional service costs and higher compensation costs associated with an increase in the number of our employees;

- Increased insurance costs primarily associated with enhancing the coverage in our directors and officers insurance policy and higher property insurance coverage related to the expansion of our operations;
- Growth in our business through the acquisitions in fiscal 2020 of C^3, This Works and BioSteel, which has resulted in a year-over-year increase in general and administrative costs;
- Non-recurring losses of $10.8 million incurred related to legal disputes with a third-party supplier; and
- An increase in other administrative costs, such as information technology infrastructure and software licenses, associated with the increase in the number of employees.

Sales and marketing expense in fiscal 2020 was $242.8 million, as compared to $163.7 million in fiscal 2019. The year-over-year increase is primarily attributable to:

- Increased staffing costs as we continue to (i) enhance our marketing and sales capabilities servicing our Canadian market and brands, the United States market as we launched First & Free CBD products in December 2019 and April 2020 in certain states, and our European sales infrastructure; and (ii) build-out our network of Tweed- and Tokyo Smoke-branded retail stores in Canada;
- The growth in our business through the acquisitions of C^3, This Works and BioSteel in fiscal 2020 and a full fiscal year of expense contribution from Storz & Bickel, which has resulted in a year-over-year increase in sales and marketing expense. The growth in sales and marketing expenses associated with these businesses includes marketing initiatives related to BioSteel's launch of its "CBD for Sport" nutrition beverages in early March 2020 and This Works' launch of its 24 hour, CBD-blended skincare boosters in April 2020; and
- Driving brand awareness and educating consumers through advertising and media campaigns, including concept creation and the placement of advertising at venues and events and in key media channels in support of our brands. In fiscal 2020, these initiatives focused on product marketing and brand awareness campaigns associated with the launch of our Cannabis 2.0 products in Canada, continuing to establish our Tweed and Tokyo Smoke brands, and the launch of our First & Free CBD products in the United States in December 2019.

Research and development expense in fiscal 2020 was $61.8 million, as compared to $15.2 million in fiscal 2019. The year-over-year increase is primarily attributable to:

- Higher compensation costs associated with an increase in the number of employees conducting research into several intellectual property opportunities and developing patent-protected technology related to our Cannabis 2.0 products; device and delivery technology, including vaporizers and vapes; plant science, including growth patterns under different environmental scenarios and the genetics of various strains; and cannabinoid extraction technology; and
- Increased costs associated with conducting external laboratory research and testing and clinical trials for CBD-based human and animal health products and other cannabinoid-based therapies.

Acquisition-related costs in fiscal 2020 were $20.8 million, as compared to $23.4 million in fiscal 2019. The year-over-year decrease is attributable to a higher overall level of mergers and acquisitions activity in fiscal 2019 relative to fiscal 2020. In fiscal 2019, we closed on several transactions in the year including Hiku Brands Company Ltd. ("Hiku"), ebbu, Storz & Bickel, KeyLeaf Life Sciences ("KeyLeaf", formerly referred to as POS Holdings Inc.), and the medical division of Spectrum Therapeutics (formerly referred to as Canopy Health Innovations Inc, or "CHI"). In addition, several transactions were announced subsequent to March 31, 2019 for which costs were incurred in fiscal 2019, including the acquisitions of C^3 and This Works, and the transaction with Acreage. In fiscal 2020, these latter three transactions closed, along with the acquisitions of BioSteel and Beckley Canopy Therapeutics and the transaction to launch More Life Growth Company.

Depreciation and amortization expense was $63.6 million in fiscal 2020, as compared to $21.5 million in fiscal 2019. The year-over-year increase is attributable to property, plant and equipment being put into operation during fiscal 2020, as we completed the build-out of substantially all our cultivation and manufacturing infrastructure across Canada, invested in our production and manufacturing capacity in the United States, and substantially completed the construction of our greenhouse in Denmark.

Share-based compensation expense

Share-based compensation was $258.1 million in fiscal 2020, as compared to $173.3 million in fiscal 2019. The year-over-year increase is primarily attributable to the timing of the stock options that were granted in fiscal 2019. While a total of 22.1 million options were granted in fiscal 2019 at a weighted average exercise price of $51.49 per option, 13.6 million of those options were granted in the third and fourth quarters of fiscal 2019 and would have only begun vesting and being recognized in share-based compensation expense at that time. Therefore, fiscal 2020 reflected a full year of share-based compensation expense related to those particular grants, as compared to only a partial year of expense being recognized in fiscal 2019. Additionally, while our share-based compensation plan was modified in the first half of fiscal 2020 and fewer stock option grants were issued in fiscal 2020 relative to prior years, 9.5 million options were granted in fiscal 2020 at a weighted average exercise price of $33.87, predominantly in the second and third quarters of fiscal 2020. Accordingly, the year-over-year increase is largely attributable to the timing of the significant option grants issued in fiscal 2019 impacting share-based compensation expense to a greater degree in fiscal 2020, and the new grants issued in fiscal 2020.

Share-based compensation related to acquisition milestones was $62.2 million in fiscal 2020, as compared to $100.2 million in fiscal 2019. The decrease associated with share-based compensation expense related to acquisition milestones is primarily attributable to the achievement, in earlier fiscal years, of the major milestones associated with the acquisitions of Spectrum Cannabis Colombia S.A.S. ("Spectrum Colombia") and Spectrum Cannabis Denmark Aps ("Spectrum Denmark"), and the recognition of share-based compensation expense at that time. Additionally, in the second quarter of fiscal 2019, we acquired the outstanding shares of Canindica Capital Ltd. ("Canindica") in exchange for our common shares, and the consideration paid of $23.0 million was recognized as share-based compensation expense as Canindica did not meet the definition of a business. These factors were partially offset by share-based compensation expense of $32.7 million recognized in the fourth quarter of fiscal 2020 resulting from the restructuring of our operations in Colombia and Lesotho, as described above. As part of this restructuring, we accelerated share-based compensation expense relating to the unvested milestones associated with the acquisitions of Spectrum Colombia, Canindica and DaddyCann Lesotho PTY ("DCL").

Asset impairment and restructuring costs

Asset impairment and restructuring costs recorded in operating expenses in fiscal 2020 were $623.3 million. These costs included charges of $563.2 million related to restructuring actions and charges of $60.0 million related to other asset impairments, and are detailed below under "Restructuring, Asset Impairments and Related Costs".

Other

The following table presents loss from equity method investments, other income (expense), net, and income tax recovery (expense) for the years ended March 31, 2020 and 2019:

(CDN $000's)	Year ended March 31, 2020	March 31, 2019	$ Change	% Change
Loss from equity method investments	$ (64,420)	$ (10,752)	$ (53,668)	(499%)
Other income (expense), net	224,329	(59,709)	284,038	476%
Income tax recovery (expense)	121,614	(4,112)	125,726	3058%

Loss from equity method investments

The loss from equity method investments was $64.4 million in fiscal 2020, as compared to $10.8 million in fiscal 2019. The year-over-year increase in the loss is primarily due to impairment charges of $55.2 million that were recognized in the fourth quarter of fiscal 2020. These charges included $14.9 million related to More Life Growth Company, which were associated with our restructuring actions described above, and other impairments associated with Agripharm ($29.2 million) CanapaR ($8.2 million) and other equity method investments ($3.0 million).

Other income (expense), net

Other income, net was $224.3 million in fiscal 2020, as compared to other expense, net of $59.7 million in fiscal 2019. The change of $284.0 million from an expense amount to an income amount is primarily attributable to:

- An income amount of $795.1 million in fiscal 2020 related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants. The decrease in the fair value of the warrant derivative liability is primarily attributable to the decline of approximately 62% in our share price from June 27, 2019, when the terms of the warrants were amended, to March 31, 2020;
- Change of $387.8 million, from an expense amount of $203.1 million to an income amount of $184.7 million, related to the non-cash fair value changes on our senior convertible notes. The stock price declined approximately 64% from April 1, 2019 to March 31, 2020, resulting in income being recognized, as compared to an increase of approximately 33% from the issuance of the senior convertible notes in June 2018 to March 31, 2019, which resulted in an expense being recognized;
- An expense of $28.6 million was recognized in fiscal 2019 related to a settlement reached with co-investors in two of our equity-method investees;
- Incremental interest income of $17.0 million attributable to the higher cash and cash equivalents and short-term investments balances in fiscal 2020 resulting from the investment by CBI;
- Convertible debt issuance costs of $16.4 million that were incurred in the first quarter of fiscal 2019;

- Fair value changes of $645.2 million related to the liability arising from the Acreage Arrangement, primarily attributable to an overall decline during fiscal 2020 in both our and Acreage's share prices, and share prices across the U.S. multi-state operator sector; and
- Change of $327.4 million related to the non-cash fair value changes on our other financial assets, from an income amount of $83.4 million in fiscal 2019 to an expense amount of $244.0 million in the current period. The expense amount in the current fiscal year was primarily driven by decreases of $113.0 million and $40.5 million in the fair value of our exchangeable shares in TerrAscend and warrants in the capital of SLANG, respectively. Both companies have interests in cannabis-related businesses in the United States and the fair value decreases resulted primarily from declines of approximately 69% and 90%, respectively in their respective stock prices during fiscal 2020.

Income tax recovery (expense)

Income tax recovery was $121.6 million in fiscal 2020, compared to income tax expense of $4.1 million in fiscal 2019. In fiscal 2020, income tax recovery consisted of deferred income tax recovery of $138.3 million (compared to an expense of $1.7 million in fiscal 2019) and current income tax expense of $16.7 million (compared to an expense of $2.4 million in fiscal 2019).

The increase of $140.0 million in deferred income tax recovery is primarily a result of (i) recording a reduction in deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of property, plant and equipment, intangible assets, and other financial assets; and (ii) the recognition of losses carried forward net of the use of losses carried forward from prior years for which a deferred tax asset had been recorded. In connection with certain deferred tax assets, mainly in respect to losses for tax purposes, where the accounting criteria for recognition of an asset has yet to be satisfied and it is not probable that they will be used, the deferred tax asset has not been recognized.

The increase of $14.3 million in current income tax expense arose primarily in connection with acquired legal entities that generated taxable income, where income could not be offset against the group's tax attributes, and legal entities which have fully utilized their loss carry forward balances and have current period taxable income.

Restructuring, Asset Impairments and Related Costs

Total restructuring, asset impairments and related costs of $843.3 million were recognized in the fourth quarter of fiscal 2020, comprised of (i) property, plant and equipment and intangible asset impairment charges, asset abandonment costs, inventory write-downs, contractual and other settlement costs, and employee-related costs and other restructuring costs of $742.9 million related to the restructuring actions resulting from the organizational and strategic review of our business, as described above under "Part 1 – Business Overview"; and (ii) impairment charges totaling $100.3 million that were identified and recognized in the fourth quarter of fiscal 2020. These impairment charges included $60.0 million related to contractual and other settlement costs and brand and license impairments, which were identified during our annual impairment testing process, and $40.3 million related to certain of our equity method investments.

A summary of the pre-tax charges recognized in connection with our restructuring actions and other impairments is as follows:

	Year ended March 31, 2020		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs	$ 132,089	$ -	$ 132,089
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	334,964	-	334,964
Impairment and abandonment of intangible assets	192,987	54,020	247,007
Contractual and other settlement obligations	18,712	6,000	24,712
Employee-related and other restructuring costs	16,583	-	16,583
Asset impairment and restructuring costs	563,246	60,020	623,266
Acceleration of share-based compensation expense related to acquisition milestones	32,694	-	32,694
Share-based compensation expense	32,694	-	32,694
Costs recorded in other income (expense), net:			
Impairment of equity method investments	14,900	40,326	55,226
Total restructuring, asset impairments and related costs	$ 742,929	$ 100,346	$ 843,275

Net Loss

Net loss was $1,387.4 million in fiscal 2020, as compared to $712.0 million in fiscal 2019. The increase in net loss is primarily attributable to the asset impairment and restructuring costs of $843.3 million that were recognized in the fourth quarter of fiscal 2020, as described above, partially offset by changes in other income (expense), net, and income tax recovery (expense), also as described above.

Segmented Analysis

In fiscal 2020 and fiscal 2019, all of our revenue was earned by the Cannabis, Hemp and Other Consumer Products. Canopy Rivers contributed a net loss of $106.5 million in fiscal 2020, of which $29.2 million was attributable to Canopy Growth. In fiscal 2019, Canopy Rivers contributed net income of $29.4 million, of which $9.1 million was attributable to Canopy Growth. The change from net income to a net loss reflects the changes in the fair value or carrying value of Canopy Rivers' strategic equity investments, along with an increase in share-based compensation expense due to the stock options which have been granted in late fiscal 2019 and fiscal 2020.

Adjusted EBITDA (Non-GAAP Measure)

Our "Adjusted EBITDA" is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management calculates Adjusted EBITDA as the reported net loss, adjusted to exclude income tax recovery (expense); other income (expense), net; loss on equity method investments; share-based compensation expense; depreciation and amortization expense; asset impairment and restructuring costs; restructuring and other charges recorded in cost of goods sold; and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition-related costs. Accordingly, management believes that Adjusted EBITDA provides meaningful and useful financial information as this measure demonstrates the operating performance of businesses.

The following table presents Adjusted EBITDA for the years ended March 31, 2020 and 2019:

(CDN $000's)	Year ended March 31, 2020	March 31, 2019	$ Change	% Change
Net loss	$ (1,387,440)	$ (712,025)	$ (675,415)	(95%)
Income tax (recovery) expense	(121,614)	4,112	(125,726)	(3058%)
Other (income) expense, net	(224,329)	59,709	(284,038)	(476%)
Loss on equity method investments	64,420	10,752	53,668	499%
Share-based compensation[1]	320,276	278,228	42,048	15%
Acquisition-related costs	20,840	23,394	(2,554)	(11%)
Depreciation and amortization[1]	125,013	46,918	78,095	166%
Asset impairment and restructuring costs	623,266	-	623,266	-
Restructuring costs recorded in cost of goods sold	132,089	-	132,089	-
Charges related to the flow-through of inventory step-up on business combinations	4,687	-	4,687	-
Adjusted EBITDA[2]	$ (442,792)	$ (288,912)	$ (153,880)	(53%)

[1]From Statement of Cash Flows.

[2]Adjusted EBITDA is a non-GAAP measure and is calculated as the reported net loss, adjusted to exclude income tax recovery (expense); other income (expense), net; loss on equity method investments; share-based compensation expense; depreciation and amortization expense; asset impairment and restructuring costs; restructuring and other charges recorded in cost of goods sold; and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition-related costs.

The Adjusted EBITDA loss in fiscal 2020 was $442.8 million, as compared to an Adjusted EBITDA loss of $288.9 million in fiscal 2019. The year-over-year increase in the Adjusted EBITDA loss is primarily attributable to increased selling, general and administrative expenses relative to fiscal 2019, partially offset by improvements in our adjusted gross margin excluding restructuring and other charges, as described above.

Fiscal 2019 Operational and Financial Highlights

The following table presents selected operational and financial information for the years ended March 31, 2019 and 2018:

	Year ended March 31, 2019	March 31, 2018	Change	% Change
Operational information:				
Kilogram and kilogram equivalents sold[1]	24,320	8,708	15,612	179%
Average selling price per gram - Recreational	$ 7.20	$ -	$ 7.20	-
Average selling price per gram - Canadian Medical	$ 8.90	$ 8.34	$ 0.56	7%
Average selling price per gram - International medical	$ 13.57	$ 13.16	$ 0.41	3%
Average selling price per gram - Medical	$ 9.33	$ 8.54	$ 0.79	9%
Kilograms harvested	46,927	22,513	24,414	108%
(CDN $000's, except share amounts and where otherwise indicated)				
Selected financial information:				
Net revenue	$ 226,341	$ 77,948	$ 148,393	190%
Gross margin percentage	12%	42%	-	(30%)
Net loss	$ (712,025)	$ (51,064)	$ (660,961)	(1294%)
Net loss attributable to Canopy Growth Corporation	$ (736,281)	$ (67,283)	$ (668,998)	(994%)
Loss per share - basic and diluted[2]	$ (2.76)	$ (0.38)	$ (2.38)	(626%)

[1]Kilogram equivalents refers to the conversion of cannabis oils and softgels to dried cannabis.

[2]For the year ended March 31, 2019, the weighted average number of outstanding common shares, basic and diluted, totaled 266,997,406 (year ended March 31, 2018 - 177,301,767).

The total quantity of cannabis sold in fiscal 2019 was 24,320 kilogram and kilogram equivalents, up from 8,708 kilogram and kilogram equivalents sold in fiscal 2018 due to the launch of the Canadian recreational cannabis market on October 17, 2018.

Recreational cannabis sales were 16,250 kilogram and kilogram in fiscal 2019 (67% of total cannabis sold), of which 88% was sold directly to the Canadian provinces and territories and the remainder through our direct retail and on-line consumer channels. Medical cannabis accounted for 8,070 kilogram and kilogram equivalents sold in fiscal 2019 (33% of total cannabis sold), representing a decrease of 7% from the 8,708 kilogram and kilogram equivalents sold in fiscal 2018 due primarily to the transition of our medical customers to the Spectrum Therapeutics online store prior to the opening of the recreational cannabis market, as discussed above.

The average selling price per gram, net of excise taxes, for our medical products was $9.33 in fiscal 2019, an increase from fiscal 2018 due primarily to a greater contribution from our international medical business, for which our products demand a higher average selling price, and higher realized pricing for our Canadian medical business. These factors were partially offset by our absorption of excise taxes for our medical customers upon the opening of the Canadian recreational market in October 2018.

We harvested 46,927 kilograms of cannabis in fiscal 2019, as compared to 22,513 kilograms harvested in fiscal 2018. The increase is attributable to the build-out of our production capability during fiscal 2019 in preparation for the launch of the Canadian recreational cannabis market.

Discussion of Fiscal 2019 Results of Operations

Revenue

The following tables present revenue by channel and revenue by form, respectively, for the years ended March 31, 2019 and 2018:

Revenue by Channel

(CDN $000's)	Year ended March 31, 2019	March 31, 2018	$ Change	% Change
Recreational revenue				
Business-to-business	$ 117,388	$ -	$ 117,388	-
Business-to-consumer	23,144	-	23,144	-
	140,532	-	140,532	-
Medical revenue				
Canadian	68,759	70,617	(1,858)	(3%)
International	10,091	3,732	6,359	170%
	78,850	74,349	4,501	6%
Other revenue	34,049	3,599	30,450	846%
Gross revenue	253,431	77,948	175,483	225%
Excise taxes	27,090	-	27,090	-
Net revenue	$ 226,341	$ 77,948	$ 148,393	190%

Revenue by Form

	Year ended March 31, 2019 *(CDN $000's)*	As a % of gross revenue	Kilograms and kilogram equivalents sold	March 31, 2018 *(CDN $000's)*	As a % of gross revenue	Kilograms and kilogram equivalents sold
Recreational revenue by form						
Dry bud	$ 82,643	33%	10,348	$ -	-	-
Oil (Includes oils and softgels)	57,889	23%	5,902	-	-	-
	140,532	56%	16,250	-	-	-
Medical revenue by form						
Dry bud	51,390	20%	5,984	58,699	75%	7,477
Oil (Includes oils and softgels)	27,460	11%	2,086	15,650	20%	1,231
	78,850	31%	8,070	74,349	95%	8,708
Other revenue	34,049	13%	-	3,599	5%	-
Gross revenue	253,431	100%	24,320	77,948	100%	8,708
Excise taxes	27,090			-		
Net revenue	$ 226,341			$ 77,948		

Net revenue in fiscal 2019 was $226.3 million, as compared to $77.9 million in fiscal 2018. The year-over-year increase is attributable to the launch of the Canadian recreational cannabis market in October 2018 and an increase in other revenue, primarily associated with our acquisition of Storz & Bickel in December 2018.

Recreational

Canadian recreational revenue in fiscal 2019 was $140.5 million, with the year-over-year increase from fiscal 2018 entirely due to the launch of the Canadian recreational cannabis market in October 2018.

Medical

Medical cannabis revenue in fiscal 2019 was $78.9 million, as compared to $74.3 million in fiscal 2018. Canadian medical revenue in fiscal 2019 was $68.8 million, as compared to $70.6 million in fiscal 2018. The year-over-year decrease was largely due to the transition of our medical customers from our Tweed online store to our new Spectrum Therapeutics online store shortly before the launch of the recreational cannabis market. Comparatively, a more limited range of cannabis products were made available to our customers on the Spectrum Therapeutics online store than had been offered on the Tweed Main Street online store. Consumers who were loyal to our products were able to purchase these products in the recreational channel after October 17, 2018, which impacted our medical revenue. At March 31, 2019 there were approximately 73,600 Canadian medical customers registered with Spectrum Therapeutics, down slightly as compared to approximately 74,000 medical customers at March 31, 2018 which reflects the factors noted above. International medical revenue in fiscal 2019 was $10.1 million, as compared to $3.7 million in fiscal 2018. The year-over-year increase related primarily to the growth of our medical cannabis business in Germany.

Other

Other revenue in fiscal 2019 was $34.0 million, as compared to $3.6 million in fiscal 2018. The year-over-year increase is attributable to sales of Storz & Bickel vaporizer devices, along with revenue from other strategic sources including clinic partners.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold and gross margin for the years ended March 31, 2019 and 2018:

	Year ended			
(CDN $000's)	March 31, 2019	March 31, 2018	$ Change	% Change
Net revenue	$ 226,341	$ 77,948	$ 148,393	190%
Cost of goods sold	$ 198,096	$ 44,959	$ 153,137	341%
Gross margin	28,245	32,989	(4,744)	(14%)
Gross margin percentage	12%	42%	-	(30%)

Cost of goods sold in fiscal 2019 was $198.1 million, as compared to $45.0 million in fiscal 2018. Our gross margin in fiscal 2019 was $28.2 million, or 12% of net revenue. Comparatively, in fiscal 2018 our gross margin was $33.0 million, or 42% of net revenue. The lower gross margin percentage in fiscal 2019 was primarily attributable to the impact of operating costs of $49.6 million relating to facilities not yet cultivating or which had unutilized capacity, as discussed above, the lower average wholesale selling price in the business-to-business channel in the recreational cannabis market, and absorbing early costs associated with developing and testing our Cannabis 2.0 edibles and beverages for introduction later in fiscal 2020.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2019 and 2018:

	Year ended			
(CDN $000's)	March 31, 2019	March 31, 2018	$ Change	% Change
Operating expenses				
General and administrative	$ 168,434	$ 43,819	$ 124,615	284%
Sales and marketing	163,674	41,313	122,361	296%
Research and development	15,238	2,053	13,185	642%
Acquisition-related costs	23,394	3,406	19,988	587%
Depreciation and amortization	21,510	12,889	8,621	67%
Selling, general and administrative expenses	392,250	103,480	288,770	279%
Share-based compensation	173,283	29,631	143,652	485%
Share-based compensation related to acquisition milestones	100,164	19,475	80,689	414%
Share-based compensation expense	273,447	49,106	224,341	457%
Total operating expenses	$ 665,697	$ 152,586	$ 513,111	336%

Selling, general and administrative expenses

Selling, general and administrative expenses in fiscal 2019 were $392.3 million, as compared to $103.5 million in fiscal 2018.

General and administrative expense in fiscal 2019 was $168.4 million, as compared to $43.8 million in fiscal 2018. The year-over-year increase was primarily attributable to our continued investments in:

- Governance and public company compliance costs associated with our listings on the NYSE and TSX and meeting additional regulatory reporting requirements;
- Legal and professional services fees related to investments in expanding operations, building commercial capacity and capability, and supporting business development;
- Administrative and facilities, including insurance, as we expand our business both within Canada and internationally;
- Enhancing our information technology capability;
- Scaling-up and readying ourselves for the opening of the Canadian recreational market and international expansion;
- Compliance costs associated with meeting Health Canada requirements; and
- Employee compensation costs associated with the above.

Sales and marketing expense in fiscal 2019 was $163.7 million, as compared to $41.3 million in fiscal 2018. The year-over-year increase was primarily attributable to:

- Branding, marketing and promotional campaigns focused on our Tweed and Tokyo Smoke brands, both in anticipation of the launch of the Canadian recreational market in October 2018 and subsequent to that date;
- Staffing in marketing and sales functions needed to service the regulated recreational and international markets;
- Our customer care center, which interfaces directly with our medical customers;
- Cannabis retail and education programs; and
- Our medical outreach program.

Research and development expense in fiscal 2019 was $15.2 million, as compared to $2.1 million in fiscal 2018. The year-over-year increase was primarily attributable to our rapidly-growing research and development team conducting research into a variety of innovation and intellectual property opportunities including:

- New cannabis-based product form factors, including our Cannabis 2.0 products;
- Device and delivery technology, including vaporizers;
- Growth patterns under different environmental scenarios and the genetics of various strains;
- Production of encapsulated cannabis oil capsules in higher volumes;
- Equipment that we have engineered specifically for the cannabis industry, such as extraction equipment; and
- Conducting clinical trials for CBD-based human and animal health products.

Acquisition-related costs in fiscal 2019 were $23.4 million, as compared to $3.4 million in fiscal 2018. The year-over-year increase was attributable to increased mergers and acquisitions activity in fiscal 2019, with closings on several transactions in the year including Hiku, ebbu, Storz & Bickel, KeyLeaf, and the medical division of Spectrum Therapeutics. In addition, several transactions were announced subsequent to March 31, 2019, for which costs were incurred in fiscal 2019, including the acquisitions of C^3 and This Works, and the transaction with Acreage.

Depreciation and amortization in fiscal 2019 was $21.5 million, as compared to $12.9 million in fiscal 2018. The year-over-year increase was attributable to property, plant and equipment being put into operation during fiscal 2019 as we continued to build our production capacity across Canada.

Share-based compensation expense

Share-based compensation was $173.3 million in fiscal 2019, as compared to $29.6 million in fiscal 2018. The year-over-year increase was attributable to:

- The continued increase in the number of stock options granted, which was primarily attributable to the increase in the number of employees, from approximately 1,000 at March 31, 2018 to approximately 3,200 at March 31, 2019. 12.8 million stock options were granted in fiscal 2018, as compared to 22.1 million in fiscal 2019;
- The increase in the grant date fair value of the stock options, which was primarily attributable to our higher stock price. The weighted average exercise price of stock options granted in fiscal 2018 was $16.50, as compared to $51.49 in fiscal 2019, resulting in a higher fair value per option as determined by the Black-Scholes option pricing model; and
- Options granted under our Amended and Restated 2018 Omnibus Incentive Plan generally vest and become exercisable over 3 years, which has therefore resulted in the expense associated with the increased number of options being recognized in fiscal 2019.

Share-based compensation related to acquisition milestones was $100.2 million in fiscal 2019, as compared to $19.5 million in fiscal 2018. The year-over-year increase was predominantly attributable to the acquisitions of Canindica and Spectrum Colombia in July 2018. Consideration for these transactions included the issuance of share-based compensation upon the achievement of specified future cultivation and sales milestones in fiscal 2019.

Other

The following table presents loss from equity method investments, other (expense) income, net, and income tax (expense) recovery for the years ended March 31, 2019 and 2018:

	Year ended			
(CDN $000's)	March 31, 2019	March 31, 2018	$ Change	% Change
Loss from equity method investments	$ (10,752)	$ (1,473)	$ (9,279)	(630%)
Other (expense) income, net	(59,709)	69,614	(129,323)	(186%)
Income tax (expense) recovery	(4,112)	392	(4,504)	(1149%)

Loss from equity method investments

The loss from equity method investments was $10.8 million in fiscal 2019, as compared to $1.5 million in fiscal 2018. The year-over-year increase in the loss was largely attributable to the increase in the amount of capital invested in equity method investees during fiscal 2019, and the increased losses incurred by the equity method investees as they invested in their businesses leading up to, and after, the opening of the Canadian recreational market in October 2018.

Other (expense) income, net

Other expense, net was $59.7 million in fiscal 2019, as compared to other income, net of $69.6 million in fiscal 2018. The change of $129.3 million from an income amount to an expense amount was primarily attributable to:

- Expense of $203.1 million related to the non-cash fair value changes on our senior convertible notes. These fair value changes are due to the approximate 33% increase in our share price from the issuance of the senior convertible notes in June 2018 to March 31, 2019;
- Expense of $28.6 million related to a settlement reached with co-investors in two of our equity-method investees in fiscal 2019;
- Convertible debt issuance costs of $16.4 million that were incurred in the first quarter of fiscal 2019;
- Income of $62.7 million related to the non-cash gain on the remeasurement of our equity interest in the medical division of Spectrum Therapeutics (formerly referred to as CHI) to fair value immediately prior to its acquisition in August 2018;
- Incremental interest income of $48.0 million attributable to the higher cash and cash equivalents and short-term investments balances in the second half of fiscal 2019 resulting from the investment by CBI; and
- We incurred a non-cash impairment charge of $28.0 million related to certain of our product rights intangible assets in fiscal 2018 that did not recur in fiscal 2019.

Income tax (expense) recovery

Income tax expense was $4.1 million in fiscal 2019, as compared to income tax recovery of $0.4 million in fiscal 2018. In fiscal 2019, income tax expense consisted of deferred income tax expense of $1.7 million (compared to a recovery of $0.4 million in fiscal 2018) and current income tax expense of $2.4 million ($nil in fiscal 2018).

The increase of $2.1 million in deferred income tax expense was primarily a result of (i) recording an increase in deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of other financial assets; and (ii) the recognition of losses carried forward net of the use of losses carried forward from prior years for which a deferred tax asset had been recorded. In connection with certain deferred tax assets, mainly in respect to losses for tax purposes, where the accounting criteria for recognition of an asset has yet to be satisfied and it is not probable that they will be used, the deferred tax asset has not been recognized.

The increase of $2.4 million in current income tax expense arose primarily in connection with acquired legal entities that generated taxable income, where income could not be offset against the group’s tax attributes.

Net Loss

Net loss was $712.0 million in fiscal 2019, as compared to a net loss of $51.1 million in fiscal 2018. The year-over-year increase in net loss reflects the variances discussed above, particularly as they relate to the decrease in gross margin, the increase in operating expenses, the increase in share-based compensation expense, and the changes in other (expense) income, net.

Segmented Analysis

In both fiscal 2019 and fiscal 2018, all of our revenue was earned by the Cannabis, Hemp and Other Consumer Products. Canopy Rivers contributed net income of $29.4 million in fiscal 2019, of which $9.1 million was attributable to Canopy Growth. In fiscal 2018, Canopy Rivers contributed net income of $26.0 million, of which $8.5 million was attributable to Canopy Growth. The year-over-year increase in net income reflects changes in the fair value or carrying value of Canopy Rivers' strategic equity investments, partially offset by an increase in share-based compensation expense due to the stock options which have been granted by Canopy Rivers in fiscal 2018 and fiscal 2019.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the years ended March 31, 2019 and 2018:

	Year ended			
(CDN $000's)	March 31, 2019	March 31, 2018	$ Change	% Change
Net loss	$ (712,025)	$ (51,064)	$ (660,961)	(1294%)
Income tax expense (recovery)	4,112	(392)	4,504	1149%
Other expense (income), net	59,709	(69,614)	129,323	186%
Loss on equity method investments	10,752	1,473	9,279	630%
Share-based compensation[1]	278,228	51,177	227,051	444%
Acquisition-related costs	23,394	3,406	19,988	587%
Depreciation and amortization[1]	46,918	20,486	26,432	129%
Adjusted EBITDA[2]	$ (288,912)	$ (44,528)	$ (244,384)	(549%)

[1]From Statement of Cash Flows.
[2]Adjusted EBITDA is a non-GAAP measure, and is calculated as the reported net loss, adjusted to exclude income tax recovery (expense); other income (expense), net; loss on equity method investments; share-based compensation expense; depreciation and amortization expense, and further adjusted to remove acquisition-related costs.

The Adjusted EBITDA loss in fiscal 2019 was $288.9 million, as compared to an Adjusted EBITDA loss of $44.5 million in fiscal 2018. The year-over-year increase in the loss is primarily due to the decrease in the gross margin and reflective of the investments made in fiscal 2019 in selling, general and administrative expenses, as described above.

Summary of Quarterly Results

The following tables presenting our quarterly results of operations should be read in conjunction with the Financial Statements and related notes included in Part II, Item 8 of this Annual Report. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. Our operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

The following tables present our unaudited quarterly results of operations for the eight consecutive quarters ended March 31, 2020:

	QUARTER ENDED				
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	Full year
Net revenue	$ 90,482	$ 76,613	$ 123,764	$ 107,913	$ 398,772
Gross margin	$ 18,290	$ 3,643	$ 38,208	$ (91,825)	$ (31,684)
Net (loss) income	$ (194,051)	$ 242,650	$ (109,634)	$ (1,326,405)	$ (1,387,440)
Net (loss) income attributable to Canopy Growth Corporation	$ (185,869)	$ 258,918	$ (91,354)	$ (1,303,021)	$ (1,321,326)
Net (loss) income per common share attributable to Canopy Growth Corporation:					
Basic (loss) earnings per share	$ (0.54)	$ 0.75	$ (0.26)	$ (3.72)	$ (3.80)
Diluted (loss) earnings per share	$ (0.54)	$ 0.25	$ (0.26)	$ (3.72)	$ (3.80)

	QUARTER ENDED				
	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	Full year
Net revenue	$ 25,916	$ 23,327	$ 83,048	$ 94,050	$ 226,341
Gross margin	$ 7,464	$ (19,336)	$ 19,072	$ 21,045	$ 28,245
Net (loss) income	$ (93,299)	$ (310,428)	$ 39,194	$ (347,492)	$ (712,025)
Net (loss) income attributable to Canopy Growth Corporation	$ (89,671)	$ (317,830)	$ 50,736	$ (379,516)	$ (736,281)
Net (loss) income per common share attributable to Canopy Growth Corporation:					
Basic (loss) earnings per share	$ (0.45)	$ (1.43)	$ 0.17	$ (1.10)	$ (2.76)
Diluted (loss) earnings per share	$ (0.45)	$ (1.43)	$ (0.44)	$ (1.10)	$ (2.76)

Part 3 – Financial Liquidity and Capital Resources

We manage liquidity risk by reviewing, on an ongoing basis, our sources of liquidity and capital requirements. As of March 31, 2020, we had cash and cash equivalents of $1.3 billion and short-term investments of $673.3 million, which are predominantly invested in liquid securities issued by the United States and Canadian governments. Additionally, we have capacity of $34.7 million under our $40.0 million revolving debt facility with Farm Credit Canada ("FCC"). In evaluating our capital requirements, including the impact, if any, on our business from the COVID-19 outbreak, and our ability to fund the execution of our strategy, we believe we have adequate available liquidity to enable us to meet our working capital and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities, and repay scheduled principal and interest payments on debt.

Our objective is to generate sufficient cash to fund our operating requirements and expansion plans. While we have incurred net losses on a GAAP basis and Adjusted EBITDA losses to date and our cash and cash equivalents have decreased $1.2 billion from fiscal March 31, 2019 (and, together with short-term investments, decreased $2.5 billion from March 31, 2019), as discussed in the "Cash Flows" section below, management anticipates the success and eventual profitability of the business. We have also ensured that we have access to public capital markets through our U.S. and Canadian public stock exchange listings. However, there can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. In the year ended March 31, 2020, our purchases of and deposits on property, plant and equipment totaled $704.9 million, which were funded out of available cash, cash equivalents and short-term investments. Included in our purchase obligations for fiscal 2021, as reflected in the table below under "Contractual Obligations and Commitments", are commitments for the purchase of property, plant and equipment totaling $73.2 million in fiscal 2021. We expect to fund these purchases with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through debt and/or equity financing to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due.

Cash Flows

The table below presents cash flows for the years ended March 31, 2020, 2019 and 2018:

	Year ended		
(CDN $000's)	March 31, 2020	March 31, 2019	March 31, 2018
Net cash (used in) provided by:			
Operating activities	$ (772,635)	$ (535,031)	$ (81,506)
Investing activities	(347,654)	(3,227,985)	(223,583)
Financing activities	(57,161)	5,851,719	525,849
Effect of exchange rate changes on cash and cash equivalents	(204)	69,567	-
Net (decrease) increase in cash and cash equivalents	(1,177,654)	2,158,270	220,760
Cash and cash equivalents, beginning of year	2,480,830	322,560	101,800
Cash and cash equivalents, end of year	$ 1,303,176	$ 2,480,830	$ 322,560

Operating activities

Cash used in operating activities in fiscal 2020 totaled $772.6 million, as compared to cash used of $535.0 million in fiscal 2019. The increase in the cash used during fiscal 2020 was primarily due to the year-over-year increase in the net loss and an overall decrease in the non-cash income and expense items impacting the net loss including share-based compensation expense, asset impairment and restructuring costs, and fair value changes on the warrant derivative liability and convertible senior notes.

Cash used in operating activities in fiscal 2019 totaled $535.0 million, as compared to cash used of $81.5 million in fiscal 2018. The increase in the cash used during fiscal 2019 was primarily due to the year-over-year increases in the net loss and our investments in working capital, partially offset by an increase in non-cash expense items impacting the net loss including share-based compensation expense and fair value changes on our senior convertible notes.

Investing activities

The cash used in investing activities totaled $347.7 million in fiscal 2020, as compared to cash used of $3.2 billion in fiscal 2019. In fiscal 2020, we invested $704.9 million in the construction of advanced manufacturing capability and a beverage facility at our Smiths Falls location, our U.S. supply chain infrastructure, and expanding our growing capacity in Denmark. The cash used for acquisitions was $498.8 million, with the most notable cash outflows relating to our acquisitions of C^3 ($342.9 million), This Works

($71.0 million), BioSteel ($47.7 million) and BCT ($37.2 million). We also completed strategic investments totaling $529.9 million in the form of equity instruments of certain entities, most notably pursuant to the Acreage Arrangement ($395.2 million). Partially offsetting these outflows of cash was the net redemption of short-term investments in the amount of $1.4 billion, with the cash proceeds primarily used for the purposes described above. Comparatively, in fiscal 2019 the net purchases of short-term investments was $2.0 billion.

The cash used in investing activities totaled $3.2 billion in fiscal 2019, as compared to cash used of $223.6 million in fiscal 2018. In fiscal 2019, net purchases of short-term investments were $2.0 billion with the proceeds from issuance of equity to CBI. We invested $644.5 million in expanding our growing capacity at our Aldergrove and Delta greenhouses and our Fredericton indoor facility, the construction of a regional distribution center, advanced manufacturing capability, and a beverage production facility at our Smiths Falls location. These expenditures also included our continued international expansion, with investments being made in retrofitting our greenhouse in Odense, Denmark and acquiring land in Australia. Comparatively, these outflows were $176.0 million in fiscal 2018. The cash used for acquisitions was $344.4 million in fiscal 2019, compared to $3.8 million in fiscal 2018, with the most notable cash outflows relating to our acquisitions of Storz & Bickel ($202.7 million) and KeyLeaf ($126.1 million). We also completed strategic investments of $128.2 million in the equity instruments of certain entities in fiscal 2019, compared to $48.6 million in fiscal 2018.

Financing activities

The cash used in financing activities totaled $57.2 million in fiscal 2020, as compared to cash provided of $5.9 billion in fiscal 2019. The primary outflow in fiscal 2020 was the repayment of debt of $115.0 million, including the Alberta Treasury Board financing and related interest in the amount of $95.2 million, and other scheduled debt repayments. In fiscal 2019 we received the investment of $5.1 billion from CBI and issued convertible senior notes with an aggregate principal amount of $600.0 million, leading to the year-over-year change.

The cash provided by financing activities totaled $5.9 billion in fiscal 2019, as compared to cash provided of $525.8 million in fiscal 2018. The year-over-year increase was primarily due to the proceeds of $5.1 billion from the equity issuance to CBI, and the proceeds of $600.0 million from the issuance of convertible senior notes.

Free Cash Flow (Non-GAAP Measure)

Free cash flow is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management believes that free cash presents meaningful information regarding the amount of cash flow required to maintain and organically expand our business, and that the free cash flow measure provides meaningful information regarding our liquidity requirements. The table below presents free cash flows for the years ended March 31, 2020, 2019 and 2018:

	Year ended		
(CDN $000's)	March 31, 2020	March 31, 2019	March 31, 2018
Net cash used in operating activities	$ (772,635)	$ (535,031)	$ (81,506)
Purchases of and deposits on property, plant and equipment	(704,944)	(644,456)	(175,962)
Free cash flow[1]	$ (1,477,579)	$ (1,179,487)	$ (257,468)

[1]Free cash flow is a non-GAAP measure, and is calculated as net cash provided by (used in) operating activities, less purchases of and deposits on property, plant and equipment.

Free cash flow in fiscal 2020 was an outflow of $1.5 billion, as compared to an outflow of $1.2 billion in fiscal 2019. The year-over-year increase in the outflow reflects the increase in the cash used for operating activities, as described above, and the completion of construction of advanced manufacturing capability and a beverage production facility at our Smiths Fall location in fiscal 2020.

Free cash flow for fiscal 2019 was an outflow of $1.2 billion, as compared to an outflow of $257.5 million for fiscal 2018. The year-over-year increase in the outflow was primarily due to the increase in the cash used in operating activities, as described above, and our investment in expanding our growing capacity across Canada, and commencing construction of our advanced manufacturing capability and a beverage production facility at our Smiths Fall location.

Debt

Since our formation, we have financed our cash requirements primarily through the issuance of capital stock, including the $5.1 billion investment by CBI in the third quarter of fiscal 2019, and debt. Total debt outstanding as of March 31, 2020 was $465.4

million, as compared to $946.0 million as of March 31, 2019. The total principal amount owing, which excludes fair value adjustments related to our convertible senior notes, was $615.2 million at March 31, 2020, as compared to $710.3 million at March 31, 2019. This decrease was predominately due to the repayment of the outstanding loan amount with the Alberta Treasury Board in June 2019, in the amount of $95.2 million, including accrued interest.

Convertible senior notes

In June 2018, we issued convertible senior notes with an aggregate principal amount of $600.0 million. The notes bear interest at a rate of 4.25% per annum, payable semi-annually on January 15th and July 15th of each year commencing January 15, 2019. The notes mature on July 15, 2023. Holders of the notes may convert the notes at their option at any time from January 15, 2023 to the maturity date. CBI owns $200.0 million of these notes.

Other

On August 13, 2019, we entered into a $40.0 million revolving debt facility with FCC. The new facility replaces all previous loans with FCC and is secured by our property on Niagara-on-the-Lake, Ontario. The outstanding balance at March 31, 2020 is $5.3 million, and the facility bears interest of 3.45%, or the FCC prime rate plus 1.0%, and matures on September 3, 2024.

The revolving debt facility agreement with FCC includes affirmative, negative and financial covenants. As of March 31, 2020, we are in compliance with all covenants in the revolving debt facility agreement.

Further information regarding our debt issuances, including the conversion rights of the senior convertible notes, is included in Note 17 of the Financial Statements.

Contractual Obligations and Commitments

The table below presents information about our contractual obligations and commitments as of March 31, 2020, and the timing and effect that such obligations and commitments are expected to have on our liquidity and cash flows in future periods:

	Payments due by period				
(CDN $000's)	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
Long-term debt obligations	$ 615,211	$ 11,062	$ 1,953	$ 601,950	$ 246
Interest payments on debt obligations	86,259	25,579	51,082	9,598	-
Operating leases[1]	97,105	15,811	27,660	21,315	32,319
Finance leases[1]	88,394	27,681	10,599	10,626	39,488
Purchase obligations	142,867	115,135	19,394	4,788	3,550
Other liabilities[2]	246,066	175,453	45,857	16,908	7,848
Other obligations[3]	342,695	111,548	141,897	37,250	52,000
	$ 1,618,597	$ 482,269	$ 298,442	$ 702,435	$ 135,451

[1] Refer to Note 30 of our Financial Statements for further information on our leases. Amounts include interest related to operating and finance leases of $13.6 million and $11.5 million, respectively.

[2] Refer to Note 18 of our Financial Statements for further information on our other liabilities.

[3] Includes future minimum royalty obligations, and obligations under cannabis offtake agreements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Transactions with Related Parties

Year ended March 31, 2020

On October 11, 2019, we acquired all of the unowned interest in BCT to increase our total ownership of BCT’s issued and outstanding shares to 100%. Following this transaction, we control both BCT and Spectrum UK, a joint venture formed by us and BCT and Spectrum UK will be accounted for as wholly-owned subsidiaries.

Cash consideration for this transaction was $58.3 million, of which $45.1 million was advanced on closing, and $14.4 million will be paid on October 1, 2020 and 2021 and has a fair value of $13.2 million. Consideration also included 155,565 replacement options. The fair value of the replacement options was determined using a Black-Scholes model and $1.9 million of the total fair value has been included as consideration paid to acquire BCT as it related to pre-combination vesting service and $2.0 million of the fair value will be recognized as share-based compensation expense ratably over the post-combination vesting period. The consideration paid for BCT included $250 thousand cash and 16,430 replacement options that were issued to a member of our key management that was a shareholder and option holder in BCT.

In connection with the Acreage Arrangement Agreement, we entered into several agreements with the CBI Group, including the New Investor Rights Agreement, the Consent Agreement and amendments to the Tranche B Warrants. See Part I, Item 1, Business for additional information on these transactions.

Year ended March 31, 2019

On November 16, 2018, we acquired two previously leased facilities from a company controlled by one of our former directors for cash proceeds of $31.3 million, including $1.5 million to repay the loan to the director's company. The director resigned from our board of directors on November 1, 2018 following the previously discussed investment by CBI. The basis for the consideration paid was supported by independent appraisals of the properties. We continue to lease one Toronto facility from the director's company. The Toronto facility leases had original expiration dates of October 15, 2018 and August 31, 2024 and the Edmonton facility lease was to expire on July 31, 2037. One of the Toronto facilities and the Edmonton facility were purchased on November 16, 2018. Included in the expenses for the year ended March 31, 2019 for rent and operating costs was $1.3 million (for the year ended March 31, 2018 - $2.7 million).

We have entered into cannabis offtake agreements with certain of our equity method investees and entities in which we hold equity or other financial instruments. These agreements are in the normal course of operations and will be measured at the exchange amounts agreed to by the parties.

Part 4 – Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 3 of the Notes to the Financial Statements. Certain of our accounting policies require the application of significant judgment by management and, as a result, are subject to an inherent degree of uncertainty. We believe that the following accounting policies and estimates are the most critical to fully understand and evaluate our reported financial position and results of operations, as they require our most subjective or complex management judgments. The estimates used are based on our historical experience, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Actual results may vary from our estimates in amounts that may be material to the Financial Statements.

The following critical accounting policies and estimates are those which we believe have the most significant effect on the amounts recognized in the Financial Statements.

Inventory valuation

Critical judgment. Inventory is valued at the lower of cost and net realizable value. The valuation of our inventory balances involves recording an inventory reserve equal to the difference between the current carrying cost of the inventory and its net realizable value. A component of this analysis therefore involves determining whether there is excess, slow-moving or obsolete inventory on hand.

Assumptions and judgment. When determining whether there is excess, slow-moving or obsolete inventory, management makes assumptions around future demand and production forecasts, which are then compared to current inventory levels. Management also makes assumptions around future pricing, and considers historical experience and the application of the specific identification method for identifying obsolete inventory.

Impact if actual results differ from assumptions. If the assumptions around future demand for our inventory are more optimistic than actual future results, then the excess and obsolete inventory provision may not be sufficient, resulting in our inventory being valued in excess of its net realizable value.

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

Critical estimates. During the purchase or construction of our property, plant and equipment, and during the acquisition or purchase of intangible assets, amounts are capitalized onto the balance sheet. When the assets go into service, a useful life is assigned to determine the required quarterly depreciation and amortization expense. The useful lives are determined through the exercise of judgment. When an asset is abandoned or ceases to be used the carrying value of the asset is adjusted to its salvage value.

Assumptions and judgment. The useful lives are determined based on the nature of the asset. Management considers information from manufacturers, historical data, and industry standards to estimate the appropriate useful life and salvage value. In certain cases management may obtain third party appraisals to estimate salvage value.

Impact if actual results differ from assumptions. If actual useful lives differ from the estimates used, the timing of depreciation and amortization expense will be impacted. A longer useful life will result in lower depreciation and amortization expense recorded each year, but will also increase the periods over which depreciation and amortization expense is taken. When an asset is abandoned, if the salvage value differs from the estimated used the abandonment cost will be impacted.

Impairment of property, plant and equipment and finite life intangible assets

Critical estimates. Property, plant and equipment and finite life intangible assets need to be assessed for impairment when an indicator of impairment exists. If an indicator of impairment exists, further judgement and assumptions will be required in determining the recoverable amount.

Assumptions and judgment. When determining whether an impairment indicator exists, judgement is required in considering the facts and circumstances surrounding these long-lived assets. Management considers whether events such as a change in strategic direction, changes in business climate, or changes in technology would indicate that a long-lived asset may be impaired. When an impairment indicator does exist, judgement and assumptions are required to estimate the future cash flows used in assessing the recoverable amount of the long-lived asset.

Impact if actual results differ from assumptions. If impairment indicators exist and are not identified, or judgement and assumptions used in assessing the recoverable amount change, the carrying value of long-lived assets can exceed the recoverable amount.

Impairment of indefinite life intangible assets and goodwill

Critical estimates. Indefinite life intangible assets and goodwill need to be tested for impairment annually or sooner, if events or circumstances indicate that the carrying amount of an asset may not be recoverable. An entity may first perform a qualitative assessment of impairment, and a quantitative analysis is only required if the qualitative assessment is inconclusive.

Assumptions and judgment. When performing a qualitative assessment, judgement is required when considering relevant events and circumstances that could affect the fair value of the indefinite-life intangible asset. Management considers whether events and circumstances such as a change in strategic direction and changes in business climate would impact the fair value of the indefinite-life intangible asset. If a quantitative analysis is required, assumptions around expected future cash flows, discount rates and other inputs into a financial model may be required to compare the fair value to the carrying value.

Impact if actual results differ from assumptions. If the judgements relating to the qualitative or quantitative assessments performed differ from actual results, or if assumptions are different, the values of the indefinite life intangible assets and goodwill can differ from the amounts recorded.

Acreage financial instrument fair value measurement

Critical estimates. The Acreage financial instrument is measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. The valuation of the Acreage financial instrument is highly subjective and management applies a probability-weighted expected return model which considers a number of potential outcomes. We use judgment to make assumptions on the key inputs including the (i) probability of each scenario; (ii) value and number of our shares to be issued; (iii) intrinsic value of Acreage; (iv) probability and timing of U.S. legalization; (v) estimated premium on U.S. legalization; (vi) control premium; and (vii) synergy value to us.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculation will be impacted. Information on the valuation technique and inputs used in determining fair values are disclosed in Note 24 of our Financial Statements.

Warrant derivative liability fair value measurement

Critical estimates. The warrant derivative liability is measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. The valuation technique requires assumptions and judgement around the inputs to be used. Specifically, there is a high degree of subjectivity and judgement in evaluating the determination of the expected share price volatility inputs used in the Monte Carlo model for the warrant derivative liability. Historical, implied, and peer group volatility levels provide a range of possible expected volatility inputs and the fair value estimates are sensitive to the expected volatility inputs.

Impact if actual results differ from assumptions. An increase or decrease in the share price volatility will result in an increase or decrease in fair value.

Other fair value measurements

Critical estimates. Some of our assets and liabilities are measured at fair value. In certain cases where Level 1 inputs are not available, valuation approaches using Level 2 and Level 3 inputs are required.

Assumptions and judgment. The valuation techniques require assumptions and judgment around the inputs to be used.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculations will be impacted. Certain assumptions will have greater impact on the determination of fair value depending on the nature of the asset or liability. Information on the valuation techniques and inputs used in determining fair values are disclosed in Note 24 our Financial Statements.

Revenue recognition

Critical estimates. The determination of the reduction of the transaction price for variable consideration requires that we make certain estimates and assumptions that affect the timing and amounts of revenue recognized.

Assumptions and judgment. We estimate the variable consideration by taking into account factors such as historical information, current trends, forecasts, inventory levels, availability of actual results and expectations of customer and consumer behavior.

Impact if actual results differ from assumptions. A more optimistic outlook on future demand can result in lower expected returns and reduced likelihood of price adjustments necessary to sell the product. This outlook will reduce the provision against revenue.

Stock-based compensation

Critical estimates. We use the Black-Scholes option pricing model to calculate our share-based compensation expense.

Assumptions and judgment. The option pricing model relies on key inputs such as rate of forfeiture, expected life of the option, the volatility of our share price, and the risk-free interest rate used.

Impact if actual results differ from assumptions. If key inputs differ, the fair value of options will be impacted. A higher fair value of the options will result in higher share-based compensation expense over the vesting period of the option.

Income taxes

Critical estimates. Many of our normal course transactions may have uncertain tax consequences. We use judgment to determine income for tax purposes and this may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense and may result in an unrealized tax benefit for transactions that have not yet been reviewed by tax authorities and that may in the future be under discussion, audit, dispute or appeal.

Assumptions and judgment. We use historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in making judgements.

Impact if actual results differ from assumptions. An unrealized tax benefit will be recognized when we determine that it is more likely than not that the tax position is sustainable based on its technical merits. In any case, if the final outcome is different from our estimate this will impact our income taxes and cash flow.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential economic loss arising from adverse changes in market factors. As a result of our global operating, acquisition and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, interest rates and equity prices. To manage the volatility relating to these risks, we may periodically purchase derivative instruments including foreign currency forwards. We do not enter into derivative instruments for trading or speculative purposes.

Foreign currency risk

Our Financial Statements are presented in Canadian dollars. We are exposed to foreign currency exchange rate risk as the functional currencies of certain subsidiaries, including those in the United States and Europe, are not in Canadian dollars. The translation of foreign currencies to Canadian dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date, and for revenues and expense using an average exchange rate for the period. Therefore, fluctuations in the value of the Canadian dollar affect the reported amounts of net revenue, expenses, assets and liabilities. The resulting translation adjustments are reported as a component of accumulated other comprehensive income or loss on the consolidated balance sheet.

A hypothetical 10% change in the U.S. dollar against the Canadian dollar compared to the exchange rate at March 31, 2020, would affect the carrying value of net assets by approximately $113.0 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income or loss. A hypothetical 10% change in the euro against the Canadian dollar compared to the exchange rate at March 31, 2020, would affect the carrying value of net assets by approximately $77.7 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income or loss.

We also have exposure to changes in foreign exchange rates associated with transactions which are undertaken by our subsidiaries in currencies other than their functional currency. As a result, we have been impacted by changes in exchange rates and may be impacted for the foreseeable future.

Foreign currency derivative instruments may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with acquisitions, divestitures or investments outside of Canada. Historically, while we have purchased derivative instruments to mitigate the foreign exchange risks associated with certain transactions, the impact of these hedging transactions on our Financial Statements has been immaterial.

Interest rate risk

Our cash equivalents and short-term investments are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. As at March 31, 2020, our cash and cash equivalents, and short-term investments, consisted of $1.3 billion, as compared to $2.8 billion at March 31, 2019, in interest rate sensitive instruments.

Our financial liabilities consist of long-term fixed rate debt and floating-rate debt. Fluctuations in interest rates could impact our cash flows, primarily with respect to the interest payable on floating-rate debt.

	Aggregate Notional Value		Fair Value		Decrease in Fair Value - Hypothetical 1% Rate Increase	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Convertible senior note	$ 600,000	$ 600,000	$ 450,204	$ 835,704	$ (11,490)	$ (12,690)
Fixed interest rate debt	5,255	12,800	N/A	N/A	N/A	N/A
Variable interest rate debt	9,956	97,471	N/A	N/A	N/A	N/A

Equity price risk

We hold other financial assets and liabilities in the form of investments in shares, warrants, options, put liabilities, and convertible debentures that are measured at fair value and recorded through either net income (loss) or other comprehensive income (loss). We are exposed to price risk on these financial assets, which is the risk of variability in fair value due to movements in equity or market prices.

For our convertible senior notes, a primary driver of its fair value is our share price. An increase in our share price typically results in a fair value increase of the liability.

Information regarding the fair value of financial instrument assets and liabilities that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value is presented in Note 24 of the Financial Statements.