CANOPY GROWTH CORPORATION

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

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

FEBRUARY 13, 2017

Canopy Growth Corporation ("the Company" or "Canopy Growth") is a publicly traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario. On February 1, 2017, Canopy Growth changed its trading symbol on the Toronto Stock Exchange ("TSX") from "CGC" to "WEED".

This Management's Discussion and Analysis of the Financial Condition and Results of Operation ("MD&A") is dated February 13, 2017. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") for the three and nine months ended December 31, 2016, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in thousands of Canadian dollars, except share amounts. We prepared this MD&A with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A provides information for the three and nine months ended December 31, 2016 and up to and including February 13, 2017.

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended March 31, 2016 and the related MD&A for the year ended March 31, 2016 dated July 8, 2016.

The Interim Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

The accompanying Interim Financial Statements were prepared in compliance with International Financial Reporting Standard 34 Interim Financial Reporting ("IAS 34"), in accordance with subparagraph 3.2(1) (b) of NI 52-107 and include the accounts of the Company and its wholly-owned subsidiaries which include Tweed Inc. ("Tweed") located in Smiths Falls, Ontario, Tweed Farms Inc. ("Tweed Farms") located in Niagara-on-the-Lake, Ontario, Bedrocan Canada Inc. ("Bedrocan") located in Toronto, Ontario in addition to other subsidiaries and investments held. All intercompany balances and transactions have been eliminated on consolidation.

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com and also on our website at www.canopygrowth.com, and Short Form Prospectus with respect to the bought deals dated April 8, 2016, August 18, 2016 and December 16, 2016 are available on-line at www.sedar.com.

HIGHLIGHTS

Earnings and Ending Cash

- Revenue of $9,752; a 15% increase over the second quarter of Fiscal 2017 and 180% over the third quarter of Fiscal 2016 when revenue totaled $3,481. Year to date revenue totaled $25,234, up 230% from the nine months ended December 31, 2015;
- 1,245 kilograms and kilogram equivalents[1] sold, representing an increase of 6% over the second quarter of Fiscal 2017 and an increase of 170% over the third quarter of last year. Year to date, 3,399 kilograms and kilogram equivalents were sold as compared to just 996 kilograms in the same period last year;
- Oil sales accounted for 12% of total third quarter revenue, shipping 1,157 litres (or 116 kilogram equivalents), included in the kilogram and kilogram equivalents above;
- Harvested 5,264 kilograms in the quarter. The greenhouse summer harvest in October produced yields ranging from 300 grams to 2,900 grams per plant, with a weighted average yield of over 800 grams per plant;
- Supply for sale was limited in the quarter by the normal course procedures to fully test the record crops harvested and approve the extensive product release for sale subsequent to the quarter's end. At the end of the third quarter, 3,809 kg of inventory was either in process of finishing or awaiting approval for sale;
- 3,844 kg of extraction-grade inventory accumulated and held for extraction is expected to be rapidly converted to oils and capsules when the new AES industrial capacity extraction equipment is fully commissioned and capsules are approved for sale by Health Canada;
- The third quarter Adjusted Product Contribution[2] was $6,677 or 68% of revenue as compared to an Adjusted Product Contribution of $2,422 and 70% of revenue in the same quarter of last year;
- The third quarter weighted average cost per gram to produce, harvest and sell cannabis was $2.47 per gram as compared to $2.29 in the same quarter of last year and $2.77 in the second quarter of Fiscal 2017;
- Net income of $2,976, or $0.03 per basic share and $0.02 per diluted share, in the three-month period ended December 31, 2016, compared to net loss of $3,316, or $0.04 per share on a basic and diluted basis, in the third quarter of Fiscal 2016. Year to date net income was $4,457, or $0.04 per basic and diluted share, as compared to the same period last year when net income was $1,626 and $0.02 per basic and diluted share;
- Over 29,000 registered patients at December 31, 2016 compared to over 8,000 in the third quarter of last year; and
- Cash and cash equivalents were $92,504 at December 31, 2016.

Operations Milestones

- Tweed and entertainment icon Snoop Dogg, together, launched *Leafs by Snoop* for the Canadian Market;

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[1] *Kilogram equivalents refers to cannabis oils sold in 100 ml bottles where 10 ml is the equivalent of approximately 1 gram of dried cannabis.*

[2] *A Non-GAAP measure used by management, described elsewhere in this MD&A*

- Tweed Farms received its license to sell dried cannabis products to other licensed producers, and in particular its sister company Tweed, and its license capacity was amended to allow the production and sale of 6,000 kg of dried cannabis, valid through July 13, 2018, following its renewal on January 13, 2017;
- Bedrocan Canada exported 10 kilograms of dried cannabis to Brazil for research purposes; and
- Tweed received a Dealer's License pursuant to the provisions of the Controlled Drugs and Substances Act and its Regulations. As a licensed dealer, Tweed will be able to conduct research and possess cannabis and cannabis derivatives in forms that are not currently covered by the Access to Cannabis for Medical Purposes Regulations (ACMPR).

Corporate Initiatives

- Acquired Quebec-based Licensed Producer Applicant Vert Cannabis ("Vert") and 75% of Licensed Hemp producer, Groupe H.E.M.P.CA ("Hemp.CA") on November 1, 2016;
- Acquired MedCann GmbH Pharma and Nutraceuticals ("MedCann GmbH"), on December 12, 2016, a German-based pharmaceutical distributor who placed Tweed-branded cannabis strains in German pharmacies and is well positioned for the emerging medical market in Germany and the European Union ("EU");
- Announced the formation of the cannabis research incubator, Canopy Health Innovations Inc. ("CHI"). Also announced the closing of an offering of CHI common shares for aggregate gross proceeds of approximately $7,000 and a leadership appointment. Canopy's ownership stake was reduced to 46.15% of the CHI common shares following the CHI financing;
- The Company and Mettrum Health Corp. ("Mettrum") entered into a definitive arrangement agreement dated November 30, 2016 and announced on December 1, 2016 pursuant to which Canopy Growth will acquire all of the issued and outstanding shares of Mettrum. The transaction closed on January 31, 2017, after the end of the third quarter, following shareholder, court and regulatory approvals; and
- Closed a bought deal equity financing on December 22, 2016 that raised aggregate gross proceeds of $60,017.

RECENT DEVELOPMENTS

Canopy Growth and Mettrum Announce Closing of Acquisition

On January 31, 2017, the Company and Mettrum announced the closing of the acquisition of Mettrum by the Company pursuant to the terms of an arrangement agreement dated November 30, 2016 and previously announced by the Companies on December 1, 2016. Canopy Growth and Mettrum entered into the Arrangement Agreement pursuant to which Canopy Growth agreed to acquire all of the issued and outstanding Mettrum Shares on the basis that each holder of Mettrum Shares received 0.7132 Common Shares for each Mettrum Share held. Mettrum was a Tier 1 Industry Issuer listed on the TSXV. Mettrum ceased trading as an Issuer on the TSXV on February 1, 2017. Details of the plan of arrangement are available in the Joint Management Information Circular filed on SEDAR at www.sedar.com .

Canopy Growth Triples Tweed's Production Potential by Acquiring 1 Hershey Drive

On January 16, 2017, the Company announced that it had closed the acquisition of the property at 1 Hershey Drive that currently houses Canopy Growth's headquarters and the Tweed Inc. (Tweed) production facilities. The building, property and chattels were acquired for $6.6 million, of which $923,980 was settled with the issuance of 94,397 common shares of Canopy Growth, based on a 5-day VWAP of $9.7882 ending the day before closing. The remainder was paid in cash on closing. As a part owner of the facility prior to the transaction, the Chairman and CEO received 70,800 of the 94,397 shares issued. These shares are subject to a 4-month lockup. The entire 472,000 sq. ft. footprint could almost triple current production and processing capacity, making it by far the largest indoor cannabis production facility in Canada. The 42-acre site could also house hundreds of thousands of square feet of additional production and processing space, either indoors or in greenhouse growing platforms.

The acquisition is considered a “related party transaction” within the meaning of Multilateral Instrument 61-101 — Protection of Minority Security Holders in Special Transactions (“MI 61-101”) because Bruce Linton, a director and officer of Canopy Growth is also a shareholder of the vendor Tweed Hershey Drive Inc. MI 61-101 provides that, unless exempted, an issuer proposing to undertake a related party transaction is required to prepare a formal valuation of the subject matter of the proposed transaction and to provide holders of the class of affected securities a summary of such valuation. MI 61-101 also requires that, unless exempted, the issuer seek approval of the transaction by a majority of the votes cast by the “minority” holders of the affected securities.

To ensure a fair valuation, an independent Lead Director of Canopy Growth led the purchase negotiation. The Company also obtained an independent appraisal to support the final price negotiated.

The Company has each relied on an exemption available pursuant to MI 61-101 from the formal valuation and minority approval requirements. MI 61-101 provides that if, at the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for the transaction, insofar as it involves interested parties, exceeds 25% of the issuer’s market capitalization (calculated in accordance with MI 61-101), the formal valuation and minority approval requirements do not apply to such transaction. The acquisition of 1 Hershey Drive is exempt from the formal valuation and minority approval requirements of MI 61-101 because neither the fair market value of 1 Hershey Drive nor the fair market value of the purchase price for the acquisition of 1 Hershey Drive exceeds 25% of Canopy Growth’s market capitalization.

Canopy Growth trading symbol changed to “WEED”

The share symbol of the company changed to TSX:WEED upon the commencement of trading on the Toronto Stock Exchange (“TSX”) on February 1, 2017.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain “forward-looking statements” and forward-looking information within the meaning of Canadian securities laws, including such statements relating to:

• assumptions and expectations described in the Company’s critical accounting policies and estimates;

- the Company’s expectations regarding the adoption and impact of certain accounting pronouncements;
- the Company’s expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the company’s wholly-owned subsidiaries;
- the expected number of users of medical cannabis or the size of the medical cannabis market in Canada;
- the potential time frame for the introduction of legislation to legalize recreational cannabis use in Canada and the potential form that this legislation will take;
- the potential size of the recreational cannabis market in Canada should recreational use be legalized;
- the ability to enter and participate in international market opportunities;
- the Company’s expectations with respect to the company’s future financial and operating performance;
- product sales expectations;
- production capacity expectations; and
- the Company’s ability to achieve profitability without further equity financing.

The words “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates” “forecasts”, “intends”, “anticipates”, or “believes” or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results “may”, “could”, “would”, “might”, or “will” be taken, occur or to achieve are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “RISKS AND UNCERTAINTIES”. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 (“NI 52-109”), have both certified that they have reviewed the financial report and this MD&A (the “Filings”) and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

The Company's internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate ICFR for the Company. Management, including the CEO and CFO, does not expect that the Company's ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

The Company's management, with the participation of its CEO and CFO, has limited the scope of the design of the Company's disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired operations of Vert (acquired November 1, 2016), Hemp.CA (acquired November 1, 2016), MedCann GmbH (acquired December 12, 2016). Excluding the goodwill created on the acquisitions, the operations of Vert, Hemp.CA, and MedCann GmbH, combined, represent less than 1% of the Company's assets (less than 1% of current assets, 1% of non-current assets); they also represent 1% of current liabilities and less than 1% of long-term liabilities, NIL% and NIL% of the Company's revenues and 1% and less than 1% of the Company's expenses for the three and nine month periods ended December 31, 2016, respectively.

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. There have been no changes in the Company's internal control over financial reporting during the nine months ended December 31, 2016 that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

NON-GAAP AND ADDITIONAL GAAP MEASURES

The Company uses "Income from operations" as an additional GAAP financial measure within the financial statements and MD&A, and "Adjusted Product Contribution" and "Adjusted EBITDA" as Non-GAAP measures in the MD&A, but none are a defined term under IFRS to assess performance. Management believes that these measures provide useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Income from operations is calculated as total revenues less total operating expenses derived from the Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

"Adjusted Product Contribution" is a metric used by management to measure performance efficiencies in growing and selling medical cannabis. The metric is calculated by removing all amounts related to fair value accounting under IFRS, and then adding back the costs related to the inventory grown, harvested, and sold in the period, to arrive at a weighted average cost per gram to grow, harvest, and sell cannabis. The calculated weighted average cost per gram is applied to the number of grams sold in the period to determine the adjusted cost of sales and resulting Adjusted Product Contribution metric.

“Adjusted EBITDA” is a metric used by management which is Income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock based compensation expense, depreciation, and the non-cash effects of accounting for biological assets and inventories, and further adjusted to remove acquisition related costs. Management believes “Adjusted EBITDA” is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items and acquisition related activities.

DESCRIPTION OF THE BUSINESS

MEDICAL MARIJUANA REGULATORY FRAMEWORK IN CANADA

In 2001, Canada became the second country in the world to recognize the medicinal benefits of cannabis and to implement a government-run program for medical cannabis access. Health Canada replaced the prior regulatory framework and issued the *Marihuana for Medical Purposes Regulations* (“MMPR”) in June 2013 to replace government supply and home-grown medical cannabis with highly secure and regulated commercial operations capable of producing consistent, quality medicine. The MMPR regulations issued in June 2013 covered the production and sale of dried cannabis flowers only. A court injunction in early 2013 preserved the production and access methods of the prior legislation for those granted access prior to the injunction.

On July 8, 2015 Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) (“CDSA”), which includes a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis (the “Section 56 Exemption**”**), which permits Licensed Producers to apply for a supplemental license to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this does not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

On August 24, 2016, the Government of Canada introduced new regulations governing the use of cannabis for medical purposes. This new regulations, known as the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”), were introduced in response to the February 24, 2016 decision rendered by the Federal Court of Canada in the Allard et al v the Federal Government of Canada case. The plaintiffs in the Allard case argued that the MMPR violates their Charter rights and the court, in a lengthy and detailed judgment, agreed with the plaintiffs. The court gave the Government of Canada until August 24, 2016 to determine how existing regulations should be amended to ensure that patients have the access to medical cannabis that they need.

The ACMPR, remained largely consistent with the former MMPR, but restores the ability of patients to grow their own cannabis at home, including the ability to designate a third-party grower through regulations akin to the former *Medical Marijuana Access Regulations* (MMAR). Under the ACMPR, patients who choose to grow at home, subject to a maximum number of plants, will be required to register their production sites and provide copies of their medical authorization to Health Canada in order to allow for monitoring and auditing of their activities.

Under the former MMPR and now ACMPR, patients are required to obtain a medical approval from their healthcare practitioner and provide a medical document to the licensed producer from which they wish to purchase cannabis. Since the requirements under the new regulations are both simpler and involve fewer obstacles to access than the previous regulatory regime, it is anticipated that the growth in the number of approved patients will accelerate. Moreover, the new system allows for competition among licensed producers on a host of factors including product quality, customer service, price, variety and brand awareness, allowing for well-positioned and capitalized producers to leverage their position in the marketplace.

Health Canada recently reported that over 98,000 patients had enrolled into the ACMPR program by September 30, 2016[3], representing a market worth in excess of $100 million. By 2024, Health Canada estimates that the number of patients using medical marijuana will grow to 450,000, creating a medical cannabis market worth an estimated $1.3 billion.

In the event recreational cannabis use is legalized (see "**Legalization of Recreational Use of Marijuana in Canada**"), it is expected that the ACMPR will be replaced by a new regulatory framework that will cover both the medical and recreational markets.

LEGALIZATION OF RECREATIONAL USE OF MARIJUANA IN CANADA

On April 20, 2016, the Canadian Federal Government announced its intention to introduce, by the spring of calendar 2017, legislation to legalize the recreational use of cannabis in Canada. At this time, the form that this legislation will take is not known.

On June 30, 2016, the Canadian Federal Government established a Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis. Their advice will be considered by the Government of Canada as the new framework is developed. Members of the Task Force were: Anne McLellan (chair); Dr. Mark A Ware (vice-chair); Dr. Susan Boyd; George Chow; Marlene Jesso; Dr. Perry Kendall; Rafik Souccar; Dr. Barbara von Tigerstrom; Dr. Catherine Zahn.

The Task Force issued its final report, titled "*A Framework for the Legalization and Regulation of Cannabis in Canada*"[4], on November 30, 2016. The report contains more than 80 recommendations to the federal and provincial governments on how to better promote and protect public health and safety, particularly among young Canadians. It recommends establishing a minimum age of access and restrictions on advertising and promotion. The report also recommends well-regulated production, manufacturing and distribution that can displace the illegal market, and provides appropriate safeguards, such as testing, packaging and labelling. It also recommends that Governments educate Canadians about the new system to improve the public's understanding of cannabis, including risks such as impaired driving. The Company believes the task force recommendations provide a strong policy framework for the government to consider, building on the current medical system for production for the future.

CIBC World Markets reports estimates of the potential value of the recreational cannabis market in Canada range from $5 billion to $10 billion per year. The lower market value of $5 billion per year translates into yearly consumption of 770,000 kilograms of cannabis, assuming a price of approximately $6.50 per gram.[5] To put the potential size of the Canadian recreational market in context, Statistics Canada valued the beer market in Canada, in 2014, at $8.7 billion.[6]

INTERNATIONAL DEVELOPMENT

In recent years, the actions of governments around the world have signaled a significant change in attitudes towards cannabis. Governments in Australia, Brazil, Germany, Israel, Mexico, South Africa, and others have taken steps to foster research into cannabis-based medical treatments and/or towards increasing legal access to medical cannabis. On January 19, 2017, the German parliament passed legislation that legalized medical cannabis and included provisions for medical cannabis treatment expenses to be covered by health insurance.

With cannabis beginning to emerge from the shadows, many countries are looking to Canada, and its regulatory framework for the commercialization of medical cannabis, with much interest and respect. Australia began the rollout of a regulatory framework in 2016. As Canada has developed an enviable

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[3] http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/market-marche-eng.php
[4] http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/alt/framework-cadre-eng.pdf
[5] http://research.cibcwm.com/economic_public/download/eijan16.pdf
[6] http://www.statcan.gc.ca/daily-quotidien/150504/dq150504a-eng.htm

regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

The opening of legal cannabis markets around the world presents an opportunity for Canopy Growth ("Canopy"). Leveraging our dominant market position in Canada, world-class production platforms and knowledge, and strong balance sheet, our business is establishing a growing international presence. Medical cannabis opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved medical cannabis systems. Canopy Growth has to date announced its entry into emerging markets in Germany, Brazil, and Australia, and is evaluating other international opportunities where the regulatory framework permits (See **Overview of Canopy Growth Corporation**).

OVERVIEW OF CANOPY GROWTH CORPORATION

Canopy Growth is a publicly-traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario. The Company's common shares were listed on the TSXV on April 4, 2014, but subsequently graduated to the TSX on July 26, 2016 under the trading symbol "CGC". On February 1, 2017, the Company began trading on the TSX under the symbol "WEED". Through its wholly-owned subsidiaries, Tweed, Tweed Farms, Bedrocan Canada and, after January 31, 2017, Mettrum Health Corp. ("Mettrum"), Canopy Growth is in the business of producing and selling legal medical cannabis, primarily in the Canadian market and has six licenses to cultivate and sell cannabis under the ACMPR program. Canopy Growth is also positioning itself to produce and sell cannabis in the recreational market in Canada through Tweed and potentially other brands, should it be legalized in the future. Bedrocan Canada will remain solely focused on the medical market and Mettrum will focus on both the medical and natural health markets.

The Company's primary focus is strengthening the Company's market share position in legal cannabis markets in Canada, medical today and non-medical should it be legalized in the future, and to help establish similar positions in markets abroad. To achieve this, the Company will continue making specific and deliberate investments, including acquisitions, to:

- Increase the diversity, quality and inventory of the Company's product offerings across value and premium cannabis market segments;
- Diversify the Company's business in the distinct but complimentary legal cannabis markets.
- Increase the strength and differentiation of the Company's multiple brands;
- Increase the efficiency and effectiveness of the Company's customer engagement resources;
- Drive growth in international markets in which cannabis is legal; and
- Significantly increase the Company's production capacity, in both greenhouse and indoor controlled facilities, in support of the Company's diverse product offering.

The Company has taken steps to diversify its cannabis-related business into the development, production and sale of hemp-based medical, recreational and industrial products. Hemp and cannabis come from the *Cannabis sativa L* specie, but are genetically distinct and are further distinguished by use, chemical makeup and cultivation methods. Hemp, which refers to the non-psychoactive (less than 1% THC) varieties of *Cannabis sativa L*, is a renewable raw material used in thousands of products including health foods, body care, clothing, construction materials, biofuels and plastic composites. The acquisition of wholly-owned subsidiary Mettrum and its *Mettrum Originals* brand of Hemp-based consumer food and skincare products along with the acquisition of subsidiary Group HEMP.CA, with its developing line of Hemp-based products, give the Company entry into the growing hemp market. The Company believes that entry into the regulated hemp market, whose regulations allow for more robust consumer-facing brand marketing, advertising and retail channels, will serve to strengthen the Company's consumer facing brands in the future.

The Company is looking to expand production capacity through the acquisition of select ACMPR licensed producers and license applicants. The Company will utilize its documented and compliant standard operating procedures to improve the operations of ACMPR licensed producers or pursue completion of an

ACMPR license application. Given the Company's knowledge of and experience applying the ACMPR regulations as well as its business, operational and capital markets experience, the Company is able to conduct detailed business, finance and operational reviews of potential acquirees.

To help the Company expedite the expansion of its production capacity, Canopy Growth announced on November 1, 2016 that it had entered into a Memorandum of Understanding ("MoU") with The Goldman Group to expand the Company's cannabis production capacity and geographic footprint. The MoU is the culmination of a shared view that high quality cannabis grown through secure production channels will continue to be the preferred model for Canadian cannabis production and distribution, and that current capacity is insufficient to meet the growing demand for medical and future recreational cannabis. The growth strategy will see The Goldman Group purchase or build new properties, subject to Canopy Growth's approval and built to Canopy Growth's proprietary specifications, and lease those properties back to the Company on a cost plus basis. The partnership with The Goldman Group gives the Company access to a non-dilutive capital with which to accelerate the development of additional licensed production facilities. Leveraging this source of development capital is expected to reduce, but not eliminate, the Company's need to raise additional capital in the future.

Management also believes a significant potential future opportunity exists, within an appropriate regulatory framework, to improve the Company's margins by vertically integrating up the value chain. For example:

- In the medical market, this could be cannabis-based therapies for the treatment of a wide-range of medical symptoms, from sleeping disorders to neuropathic pain. The Company established the cannabis research incubator CHI, of which the Company has a minority interest, to develop and research clinically ready cannabis drug formulations and dose delivery systems.
- In a potential future recreational market, this could mean the commercialization of edible and drinkable consumer products infused with cannabis elements, most notably THC.

Management believes that a significant opportunity exists today to leverage the Company's expertise, financial strength and business model in federally legal cannabis markets around the world. In addition, management believes future opportunities are likely to exist for the Company in jurisdictions where governments are actively moving towards such a legal framework. Subject to regulatory approval, strategic international business opportunities pursued by the Company could include:

- Providing advisory services to third-parties that are interested in establishing licensed cannabis cultivation and sales operations;
- The export of medical cannabis to third-parties in countries outside of Canada; and
- Ownership of cannabis cultivation and sales operations in countries outside of Canada, where lawful to do so.

To date, the Company has announced new ventures or business partnerships in Australia, Brazil and Germany as described below:

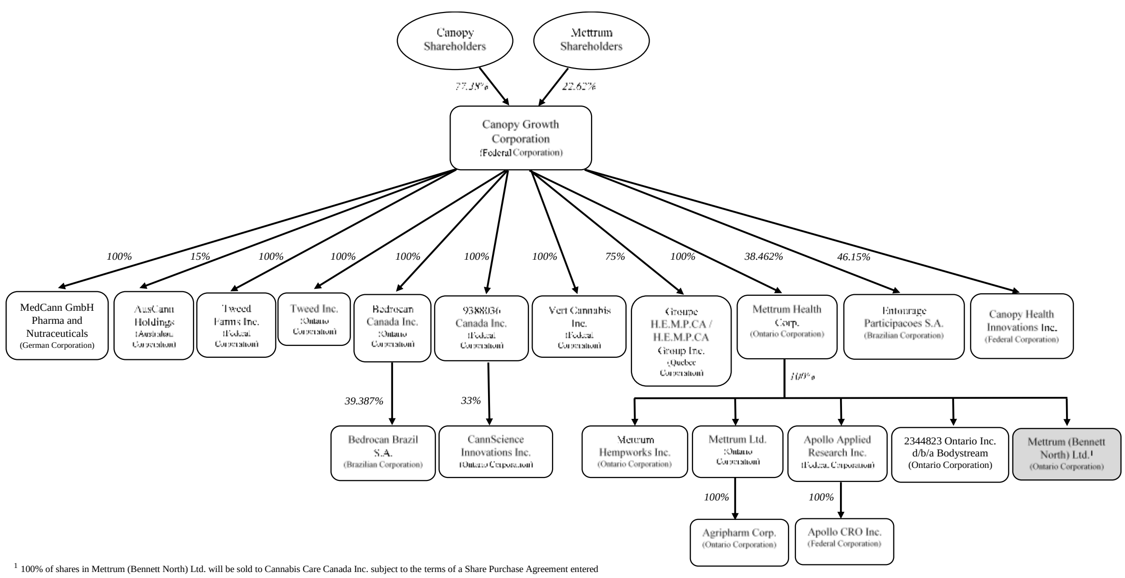
- Tweed has entered into a partnership with AusCann Group Holdings Ltd. ("AusCann") of Australia, where Tweed will provide consultation in a number of areas including production, quality assurance and operations, and strategic advisory services. In exchange for these services, the Company owns a 15% interest in AusCann, a leader in Australia's emerging medical cannabis industry;
- The Company has entered into an agreement with São Paulo-based Entourage Phytolab S.A. ("Entourage"), Bedrocan International BV and local Brazilian partners to create a new company called Bedrocan Brasil S.A., which will facilitate the importation of Bedrocan Canada's proprietary standardized cannabis varieties and know-how into the Brazilian market. Additionally, the Company will partner with Entourage to develop cannabis-based pharmaceutical medical products for the Brazilian and international markets. Bedrocan Canada completed the first export of cannabis to Brazil in the third quarter of fiscal year 2017. The Company initially held a 41.75% interest in Bedrocan Brasil S.A. through its wholly-owned subsidiary Bedrocan Canada and a 50% direct ownership interest in Entourage, since reduced to 39.387% and 38.462%, respectively; and

• Tweed has received necessary approvals in Canada and Germany to export medical cannabis for sale to German patients. To date, approximately 130 kilograms of Tweed-cannabis, have been exported to Germany. As described on page 19 of this MD&A, the Company acquired German-based pharmaceutical distributor MedCann GmbH on December 12, 2016.

This investment in brand development, global expansion, product diversification, and increased production capacity, is likely to delay when the Company's business becomes cash flow positive. Management believes the focus on growing the Company's market share will drive significantly higher cash earnings and shareholder returns over the long-term.

Across its six licensed production sites, as of February 13, 2017, Canopy subsidiaries are now licensed for 19,100 kilograms of dried cannabis production and 9,800 kilograms of cannabis oil production.

Corporate Organization Chart



[1] 100% of shares in Mettrum (Bennett North) Ltd. will be sold to Cannabis Care Canada Inc. subject to the terms of a Share Purchase Agreement entered into on September 16, 2016. The transaction is expected to close in February 2017.

At December 31, 2016, there were 202 full-time employees in the Company as compared to 156 at March 31, 2016.

TWEED INC.

Tweed is a Licensed Producer of medical cannabis under the ACMPR. Tweed's Commercial License for its facility in Smiths Falls, Ontario will be up for renewal on July 18, 2018. Tweed's Commercial License covers 168,000 square feet of its Smiths Falls facility and includes 12 climate controlled indoor growing rooms. Prior to the end of the term of its licenses, Tweed must submit an application for renewal to Health Canada containing information prescribed by the ACMPR.

Tweed has completed 12 of an eventual 39 growing rooms (of similar size), and the related vegetation, nutrient delivery and production infrastructure as is required to support the full configuration to be built. An additional 12 growing rooms are currently under construction with completion targeted in the first half of calendar year 2017. The Smiths Falls facility also includes an in-house laboratory and R&D area, cannabis oil extraction infrastructure, a high level security vault and a breeding facility that features several breeding rooms, phenotyping rooms, as well as male and female plant rooms.

Tweed received a Dealer's License pursuant to the provisions of the Controlled Drugs and Substances Act and its Regulations and will now begin operating this purpose built area, built to Good Manufacturing Practice ("GMP") specifications, within Tweed's Smiths Falls, Ontario facility. The issuance of the license followed an extensive multi-year process that included application, design, construction and security clearance of key personnel. As a licensed dealer, Tweed will be able to conduct research and possess cannabis and cannabis derivatives in forms that are not currently covered by the ACMPR. Tweed can also begin development of innovative products for future market opportunities, and with necessary approvals undertake the export of non-dried form of cannabis to other jurisdictions.

The total footprint of the existing Smiths Falls facility, at 472,000 square feet, can support a significant increase in licensed production capacity. In addition, the 42-acre site at 1 Hershey Drive has significant undeveloped land that can support the construction of additional buildings.

Tweed sells its dried cannabis at prices ranging from $6 per gram for value strains to up to $12 per gram for premium strains. Typically, growth time, strain yield and market comparatives determine a strain's price. Very particular strains may be priced higher, but this would be the exception.

In keeping with its goal of producing high quality value and premium cannabis strains for the legal cannabis market, Tweed has undertaken a number of progressive activities over the past 12 to 18 months:

- In October 2015, Tweed and DNA Genetics announced an exclusive partnership that would see Tweed leverage DNA's expertise in cannabis breeding to bring new, exclusive DNA-Certified strains to Tweed customers. Less than a year later on September 15, 2016, Tweed launched *Lemon Skunk*, the first strain certified by DNA Genetics and selected through phenotyping by DNA Genetics. Additional DNA-Certified strains are expected to be available through Tweed by Q4 2017. DNA-Certified strains are being cultivated to DNA standards in Tweed's Smiths Falls, Ontario facility. Additional strains that are expected to be DNA-Certified are currently being harvested at the Tweed Farm's greenhouse in Niagara-on-the-Lake, Ontario;

- On September 12, 2016, Tweed announced the completion of its state-of-the art cannabis breeding facility within its Smiths Falls operation. With the facility, Tweed is evolving the way cannabis is bred and selected for commercial sale. Working with the best breeders in the world such as DNA Genetics and its own Master Breeder, Tweed and its partners will begin creating new proprietary genetics by selecting male and female plants with desirable traits, and breeding new strains under strictly controlled conditions. On November 7, 2016, the Company announced that Tweed has received approval from Health Canada to begin using this breeding facility; and

- On October 6, 2016, less than 8 months after entering into a business partnership, Tweed and international cannabis icon, Snoop Dogg, announced that *Leafs By Snoop* would be available in Canada, exclusively to Tweed customers. On October 27, 2016, Tweed began selling three *Leafs By Snoop* varieties - Sunset, Ocean View and Palm Tree CBD. All three *Leafs By Snoop* varieties are available through the Tweed Shop at prices between $9 and $12 per gram. Starting with three whole-flower dried cannabis strains and expanding over time, *Leafs By Snoop* will be a full spectrum offering of diverse strains including a high CBD option and mid to high-range THC options. *Leafs By Snoop* strains for the Canadian market are grown in Tweed's Smiths Falls, Ontario facility and at Tweed Farm's greenhouse in Niagara-on-the-Lake, Ontario.

Tweed sells Cannabis Oils made with GMO-free, organic sunflower oil. Along with popular offerings of Quinn, Princeton and Zaius, Tweed will introduce new strain-specific *Cannabis Oils* on an ongoing basis. Prices for Cannabis Oils range from $95 per 100 ml bottle to $185 per 100 ml bottle depending on the strains incorporated.

Tweed does not offer volume discounts to end users, but has developed an income-tested Compassionate Pricing Promise whereby eligible low-income patients may obtain a 20% discount off regular prices.

A key focus of Tweed, since its inception, has been the development of its brand. From the name, logo and design aesthetic, to the approachable tone and light-hearted copy, Tweed is branded and positioned in a unique way. Tweed deliberately chose to incorporate a sense of texture and approachability that welcomes customers and encourages an intimate relationship with the brand. Tweed has emerged as the most dynamic brand in the industry with exceptionally strong appeal and recognition in the medical cannabis market in Canada across value and premium product segments.

In support of its brand, Tweed focuses heavily on its social media presence as an engagement strategy. Further engagement with the Tweed brand will be facilitated by the Company's expanding network of *Tweed Main Street* Community Engagement Centers. These centers in Southern Ontario (Barrie, Etobicoke, Guelph and Hamilton) provide an opportunity for interested individuals to learn about medical cannabis in a helpful, supportive and consumer-friendly environment. The Company is actively seeking partners to expand the network of *Tweed Main Street* locations, through licensing partnerships, to strategic locations across Canada.

Like the *Tweed Main Street* concept, Tweed is intent on using creative marketing strategies to further increase public awareness of the Tweed brand. The partnership with the artist and cannabis connoisseur, known as Snoop Dogg, will see Tweed and Snoop Dogg partner on curated content and brand strategy exclusively in Canada. The objective of these marketing strategies, be it *Tweed Main Street,* the business partnership with Snoop Dogg and others that the Company may pursue in the future, is to make the Tweed brand top-of-mind as medical patients and future recreational users consider making their first legal cannabis purchase.

Since the founding of Tweed, the Company has provided a variety of support to patients and doctors in order to improve knowledge with respect to cannabis for medical purposes and ultimately advance the sector. For example, the Company supports the Canadian AIDS Society ("CAS") in the form of an unrestricted grant to CAS for the development of a patient-focused series that explains the science of cannabis as a therapy, the rules and regulations surrounding access and different ways to consume cannabis for safer use and better health. In addition, the Company has research partnerships in place with researchers from the University of Ottawa and Ryerson University, and has provided funding for education to the Chronic Pain Association of Canada.

Tweed has been the sole licensed producer supporter of the Primary Care Updates across Canada reaching thousands of doctors, and supports countless efforts by local educators to improve the understanding of cannabis for medical purposes through a team of detailers visiting doctors throughout Ontario. Tweed has also partnered with Canabo Medical Corporation to conduct scientific and medical research through its network of healthcare practitioners at its medical clinics. This research data will be used to generate data to clarify the role of cannabis in various chronic conditions, including the management of chronic pain.

Tweed was also, to the Company's knowledge, the first Licensed Producer to have an accredited M1 continuing medical education program to assist doctors, and in partnership with Bedrocan, one other Licensed Producer and the Collège des médecins du Québec, proudly contributed startup funding for the creation of a registry for medical cannabis patients in the Province of Quebec. The first of its kind, the anticipated 10-year Registry will gather information on the demographic profiles of patients who use medical cannabis, the medical purpose for which they use it, and at what dosage, while tracking the effectiveness and safety of cannabis used in the management of symptoms associated with particular health conditions.

Tweed announced on May 16, 2016 its plan to fund a national campaign to raise awareness of impairment in relation to operating a motor vehicle under the influence of cannabis. The campaign will be developed and administered by two of the country's leading organizations in promoting evidence based drug policy and safe driving, the Canadian Drug Policy Coalition (CDPC) and Mothers Against Drunk Driving (MADD Canada). Funding will be provided to MADD Canada over three years by the Company, whose wholly-owned subsidiaries Tweed and Bedrocan Canada will fund the campaign using proceeds from a previously announced education fund dedicated towards responsible use of cannabis.

TWEED FARMS INC.

Tweed Farms in Niagara-on-the-Lake, Ontario is comprised of a greenhouse facility that is 375,000 square feet, of which 350,000 square feet represents the greenhouse and 25,000 square feet is used for post-harvest processing storage, shipping and offices. The current greenhouse facility occupies approximately 8 acres. The Tweed Farms site includes an additional 14 acres (approximate) to support future expansion.

On March 31, 2016, Tweed farms received its full commercial license to produce, possess, ship and sell dried cannabis. Currently, all dried cannabis produced in the Tweed Farms greenhouse is transferred to Tweed's Smiths Falls, facility for final processing and sale by Tweed pursuant to its Commercial License. As at December 31, 2016, all 350,000 square feet of the greenhouse was utilized for the production of medical cannabis.

Utilizing refined input products and growing processes, the Tweed Farms greenhouse grows a variety of high quality cannabis strains that sell, through Tweed, across multiple price points, from value strains, priced at $6 per gram, to premium strains, priced at $12 per gram. Premium strains being cultivated at the Tweed Farms greenhouse are expected to include a number of DNA-Certified and *Leafs By Snoop* strains. The DNA-Certified and *Leafs By Snoop* strains grown at Tweed Farms began selling on February 1, 2017, exclusively to registered patients of Tweed at prices between $9 and $12 per gram. With the ability to grow high-quality strains that support premium price points, in a low cost greenhouse environment, Canopy Growth is expected to be to generate very high margins on these premium strains cultivated at Tweed Farms.

Tweed Farms' license has a current term ending July 13, 2017. Prior to the end of the term of its licenses, Tweed Farms must submit an application for renewal to Health Canada containing information prescribed by the ACMPR.

BEDROCAN CANADA INC.

On August 28, 2015, the Company acquired Bedrocan pursuant to a definitive plan of arrangement, in which the Company acquired all of the issued and outstanding securities of Bedrocan.

Bedrocan leverages over two decades of indoor standardized cannabis growing experience of Netherlands based Bedrocan International BV. With the indoor growing techniques and technologies developed and selected over two decades, Bedrocan International BV has been able to drive the cost of indoor medical cannabis growing down to levels that are comparable to the cost of cultivating cannabis in hybrid greenhouses.

Bedrocan's 52,000 square feet production facility in Toronto, Ontario is fully-licensed, and includes 34 vegetative and growing rooms, three dispensing rooms, the building's two-floor high security level vault, and the ability to dispose of cannabis refuse via composting.

Bedrocan's Commercial License to sell domestic medical cannabis will be up for renewal on February 17, 2017. Bedrocan has been growing six proprietary genetic strains of standardized cannabis at its Toronto production facility since February 2015.

Bedrocan began selling its dry cannabis products in the Canadian market in February 2014. Bedrocan is committed to providing high-quality value strains for medical use that are priced at or below the industry averages. The philosophy of Bedrocan is that price should not be reflective of the THC content of the product. Bedrocan's production methods have been refined over two decades to maximize yield and eliminate genetic variance from harvest to harvest. Because of that, Bedrocan is able to produce standardized varieties efficiently to permit the introduction of True Compassionate Pricing. Bedrocan does not offer volume discounts. The True Compassionate Pricing program ensures that all standardized strains are sold at the same price. In January 2016, the price for each strain was reduced from $7.50 per gram to

$5.00 per gram. In September 2016, prices for all six strains were increased to $6.75 per gram for new patients, with existing patients receiving the prior pricing for the duration of their medical document while registered with Bedrocan Canada.

Bedrocan received its license to sell cannabis oil extracts in the first quarter of Fiscal 2017. Bedro-oil was first sold through the Tweed store on June 9, 2016 and then through the Bedrocan store on June 20, 2016. Prices for Bedro-oil products introduced in the first quarter of Fiscal 2017 are $110 per 100 ml bottle.

Clients of Bedrocan order medical cannabis primarily through Bedrocan’s online store with telephone orders as a secondary source.

The Company intends for Bedrocan to remain solely focused on the medical market, even if a legalized recreational market is eventually legislated in Canada.

Prior to the end of the term of its licenses, Bedrocan must submit an application for renewal to Health Canada containing information prescribed by the ACMPR.

METTRUM HEALTH CORP.

On January 31, 2017, Canopy Growth and Mettrum announced the closing of the acquisition of Mettrum by Canopy Growth pursuant to the terms of an arrangement agreement dated November 30, 2016 and previously announced by the Companies on December 1, 2016.

Mettrum Ltd., a wholly-owned subsidiary of Mettrum, is a Toronto-based company and a licensed producer of medical cannabis under the ACMPR. Mettrum received its first license from Health Canada on November 1, 2013 and began production of medical cannabis at its first production facility in Bowmanville, Ontario. Mettrum received its second license from Health Canada on December 11, 2014 for its other wholly-owned subsidiary, Mettrum Creemore, at the Mettrum Creemore facility in Clearview, Ontario. Mettrum received its third license from Health Canada on December 17, 2015 for Mettrum Ltd. at its new 60,000 square foot production and distribution facility in Bowmanville, Ontario. With the company's three licenses, Mettrum is a leading producer and vendor of medical cannabis under the ACMPR system. In addition, through its wholly-owned subsidiary Mettrum Hemp, Mettrum also is a licensed producer and distributor of industrial cannabis (hemp) products, including Mettrum’s functional food line, Mettrum Originals™, under the Hemp Regulations issued pursuant to CDSA.

Mettrum, through its wholly-owned subsidiaries, currently has a potential production capacity of 6,000 kg of medical cannabis per year. Its current total licensed production capacity is 5,600 kg of medical cannabis per year. Under the ACMPR, Mettrum sells dried cannabis and oil extractions to the client or to health care practitioners for distribution to their patients. There is no limit imposed by the ACMPR on the strains that may be produced nor does the ACMPR set out specific requirements for pricing. Mettrum currently sells dried cannabis for between $7.60 and $8.60 per gram and oil extracts for $90.00 per 40 ml bottle. However, future products may sell above or below this range. Mettrum also offers an assisted pricing program to help clients who are recipients of a Federal or Provincial income assistance program, or have an annual income of $30,000 or less. This “30/30 Mettrum Assisted Pricing Program” provides a 30% discount on the first 30 grams ordered each month by eligible clients. Mettrum currently produces approximately sixteen strains, chosen from a genetic library of over sixty strains.

Mettrum Hemp processes and packages hemp based products including hemp hearts, flour, cooking mixes, lip balm and oil. The processing is outsourced to qualified suppliers and the products are processed by Mettrum Hemp or the suppliers. Mettrum sells 30 hemp based products through distributors to over 2,000 retailers in Canada and the United States. Mettrum possesses three supplemental licenses to produce Cannabis Extracts.

Mettrum Ltd. has an ACMPR license for its facility in Bowmanville, Ontario. The license was issued November 7, 2016 and is effective until the expected renewal date of November 1, 2017. This license allows for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried marijuana, cannabis oil, cannabis resin, marijuana plants, and marijuana seeds. It allows the facility to produce up to 1,600 kg of dried marijuana, 1,600 kg of cannabis oil and 100 kg of cannabis resin. It also allows the facility to sell or provide other Licensed Producers with up to 100 kg of dried marijuana, 100 kg of cannabis oil and 200 kg of cannabis resin.

Mettrum Creemore has an ACMPR license for its facility in Clearview, Ontario. The license was issued December 13, 2016 and is effective until the expected renewal date of December 12, 2017. This license allows for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried marijuana and marijuana plants or seeds. It allows the facility to produce up to 2,000 kg of dried marijuana, 1,500 kg of cannabis oil, and 200 kg of cannabis resin. It also allows the facility to sell or provide up to 2,000 kg of dried marijuana, 1,500 kg of cannabis oil and 200 kg of cannabis resin to another Licensed Producer, as well as to sell or provide up to 6,000 marijuana plants and 1 kg of marijuana seeds. It also allows the facility to sell or provide up to 1,000 marijuana plants and 1 kg of marijuana seeds to registered clients.

Mettrum Hemp has three licenses issued under the Hemp Regulations for its facility located in Barrie, Ontario. These licenses are effective until the expected renewal date of December 31, 2016, and provide for the possession and sale of industrial hemp grain, industrial hemp oil and meal and industrial hemp seed and grain.

On September 20, 2016 Mettrum announced that it entered into an agreement with Cannabis Care Canada Inc. to sell Mettrum North. It is expected that this transaction will close in the fourth quarter of Fiscal 2017. Mettrum North has a license issued pursuant to Section 35 of the ACMPR for its facility in Bowmanville, Ontario. The license was issued November 2, 2016 and is effective until the expected renewal date of November 1, 2017. This license allows for the production, sale or provision, possession, shipping, transportation, delivery and destruction of dried marijuana, cannabis oil, cannabis resin, marijuana plants and marijuana seeds. The license allows the facility to produce up to 2,000 kg of dried marijuana, 1,500 kg of cannabis oil, and 200 kg of cannabis resin. It also allows the facility to sell or provide up to 2,000 kg of dried marijuana, 1,800 kg of cannabis oil, 200 kg of cannabis resin, 15,000 marijuana plants, and 1 kg of marijuana seeds to another Licensed Producer.

Prior to the end of the term of its licenses, Mettrum must submit an application for renewal to Health Canada containing information prescribed by the ACMPR.

VERT CANNABIS

Effective November 1, 2016, Canopy acquired all of the issued and outstanding shares of Vert through an amalgamation with a wholly-owned subsidiary of Canopy. Vert is a Québec-based applicant for a license pursuant to the ACMPR. In connection with the acquisition, the shareholders of Vert received $498 in cash and 58,978 Common Shares on the closing, with an additional 235,922 Common Shares in escrow and to be released as follows:

- 88,472 Common Shares will vest upon Vert obtaining from Health Canada a license for the cultivation of medical cannabis under the ACMPR in St. Lucien, Québec (the “St. Lucien Property”) within five years of the completion of the Vert acquisition;
- 88,472 Common Shares will vest upon Vert obtaining from Health Canada a license for the cultivation and sale of medical cannabis under the ACMPR in respect of the St. Lucien Property within five years of the completion of the Vert Acquisition; and
- 58,978 Common Shares will vest upon the expansion of licensed capacity in the Province of Québec by Vert within five years of the completion of the Vert Acquisition.
- If any of the foregoing milestones are not satisfied, the applicable escrowed Common Shares will be returned to Canopy by the escrow agent for cancellation.

In connection with the Vert Acquisition, Canopy also acquired the right to purchase 90 acres of land and a 7,000 square foot indoor growing space with an office facility located in Saint-Lucien, Québec.

The acquisition of Vert is not a “significant acquisition” for the purposes of Part 8 of National Instrument 51-102 – Continuous Disclosure Obligations.

HEMP.CA

Effective November 1, 2016, Canopy acquired 75% of the issued and outstanding shares of Hemp.CA in exchange for $595 ($295 of which is to be paid on or before April 1, 2017) and 258,037 Common Shares (the “**Hemp Consideration Shares**”). One-half of the Hemp Consideration Shares were issued to the Hemp shareholders on closing of the acquisition, with the remaining Hemp Consideration Shares held in escrow and will be released on or before April 1, 2017. Hemp is licensed by Health Canada to cultivate hemp and extract oil from hemp seeds. The acquisition of Hemp strategically diversifies Canopy’s business in a distinct but complementary market.

The acquisition of Hemp is not a “significant acquisition” for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

CANOPY HEALTH INNOVATIONS INC.

The Company established cannabis research incubator and subsidiary Canopy Health Innovations Inc. (“CHI”) to develop and research clinically ready whole plant cannabis drug formulations and dose delivery systems. On December 9, 2016, Canopy Growth announced the closing of an offering of CHI shares for aggregate gross proceeds of approximately $7,000 to reduce Canopy Growth’s interest to 46.15% of CHI common shares. CHI is a Canadian Controlled Private Corporation.

CHI will operate as a research incubator and will focus on creating an intellectual property (“IP”) portfolio that can be built into commercial opportunities for the Company and its subsidiaries. Pursuant to agreements entered into between CHI and Canopy Growth, Canopy Growth and its subsidiaries will work closely with CHI whereby Canopy Growth will act as a primary supplier of cannabis products for clinical research, as a research partner through its subsidiary Tweed. Tweed’s Controlled Drugs and Substance Dealer’s License from Health Canada, will allow it to, among other things, possess cannabis and cannabis by-products for the purposes of analytical testing, and in the commercialization of IP created by CHI.

CANNSCIENCE INNOVATIONS

Through the acquisition of MedCann Access (“MCA”) in the third quarter of Fiscal 2016, the Company acquired a 33% stake in CannScience Innovations Inc. (“CannScience”), a drug development company based out of the MaRS Centre in Toronto working collaboratively with the University Health Network.

CannScience conducts in-depth extracts research, with the ultimate goal of delivering standardized metered dosing in a range of alternate delivery methods, a priority for the Company as the emerging cannabis extract market evolves. CannScience’s lead product in development incorporates the Generex Biotechnology Corporation proprietary RapidMist™ drug delivery technology, which is specially engineered to propel metered doses into the buccal cavity where the active pharmaceutical ingredient is absorbed, providing patients with a safe, simple, and easy way to achieve rapid on-set with no deposit in the lungs.

BEDROCAN BRASIL S.A. AND ENTOURAGE PHYTOLAB S.A.

On June 28, 2016, the Company announced an agreement with São Paulo, Brazil-based Entourage Phytolab S.A. (“Entourage”). Under the agreement, wholly-owned subsidiary Bedrocan Canada, Bedrocan International BV (formerly Bedroca Beheer BV) and local Brazilian partners created a new company called Bedrocan Brasil S.A. (“Bedrocan Brasil”), which will facilitate the importation of Bedrocan's proprietary standardized cannabis varieties and know-how into the Brazilian market. Additionally, Canopy Growth will partner with Entourage to develop cannabis-based pharmaceutical medical products for the Brazilian and international markets.

The transaction formally closed on September 20, 2016, whereby Canopy Growth owned a 50% interest in Entourage and Bedrocan Canada owned a 41.75% interest in Bedrocan Brasil S.A. Canopy, Entourage and Bedrocan Brasil completed an initial funding round of USD$3 million from independent investors on November 23, 2016 in exchange for common shares in Entourage and Bedrocan Brasil. The funding round will reduce Canopy's holding in Entourage from 50% to 38.462% and reduce its holding in Bedrocan Brasil from 41.75% to 39.387% after all tranches are received. These funds will be used both for the continuing development of Bedrocan Brasil and the launch of the Entourage clinical research plan.

AUSCANN GROUP HOLDINGS LTD.

On May 20, 2016, the Company closed a partnership with AusCann Group Holdings Ltd. ("AusCann"), whereby the Company obtained a 15% stake in AusCann, a leader in Australia's emerging medical cannabis industry, in exchange for its consultation in a number of areas including production, quality assurance and operations, and strategic advisory services.

The expertise and advisory services offered or performed by Canopy Growth subsidiaries will be exclusively carried out by Tweed Inc. and Tweed Farms Inc.

Procedures, expertise, and/or intellectual property under license from Bedrocan BV as to medicinal cannabis and so employed by Bedrocan Canada or any affiliates of Canopy Growth will not be shared or form the basis for any cooperation, consultation or other form of consulting provided under the terms of the partnership with AusCann. Canopy Growth and its affiliates are exclusively entitled to utilize any of its rights under the Bedrocan BV license for Canada and South-America only.

MEDCANN GMBH PHARMA AND NUTRACEUTICALS ("MEDCANN GMBH")

MedCann GmbH Pharma and Nutraceuticals ("MedCann GmbH") is a German-based pharmaceutical distributor, that was acquired by the Company on December 12, 2016.

On July 25, 2016, the Corporation announced that Tweed had received necessary approvals in Canada and Germany to begin export of medical cannabis for sale to German patients, and will be working with MedCann GmbH, a then privately held pharmaceutical importer and manufacturer in Germany.

On November 28, 2016 Canopy entered into an agreement to acquire MedCann GmbH, who had placed Tweed-branded cannabis strains in German pharmacies. The acquisition was structured against certain licensing milestones that will move MedCann GmbH towards domestic production opportunities. An aggregate of 674,631 Common Shares were issued upon the closing of the acquisition of MedCann GmbH. An additional (i) 367,981 Commons Shares will be issued on the 18-month anniversary of obtaining an Import and Distribution License from the German Health Minister, and (ii) 122,660 Common Shares will be issued to a former principal of MedCann GmbH upon achieving certain other milestones within two years of closing the acquisition of MedCann GmbH. The acquisition of MedCann GmbH closed on December 12, 2016.

The acquisition of MedCann GmbH is not a "significant acquisition" for the purposes of Part 8 of National Instrument 51-102 – Continuous Disclosure Obligations.

Over the longer term, with a base of operations in Germany provided by MedCann GmbH, along with Canopy's track record of producing consistent and stabilized cannabis strains, management believes the Company is well positioned to pursue domestic production inside Germany should the regulatory environment shift.

On January 19, 2017, the German parliament passed legislation that legalized medical cannabis and included provisions for medical cannabis treatment expenses to be covered by health insurance.

RESULTS OF OPERATIONS

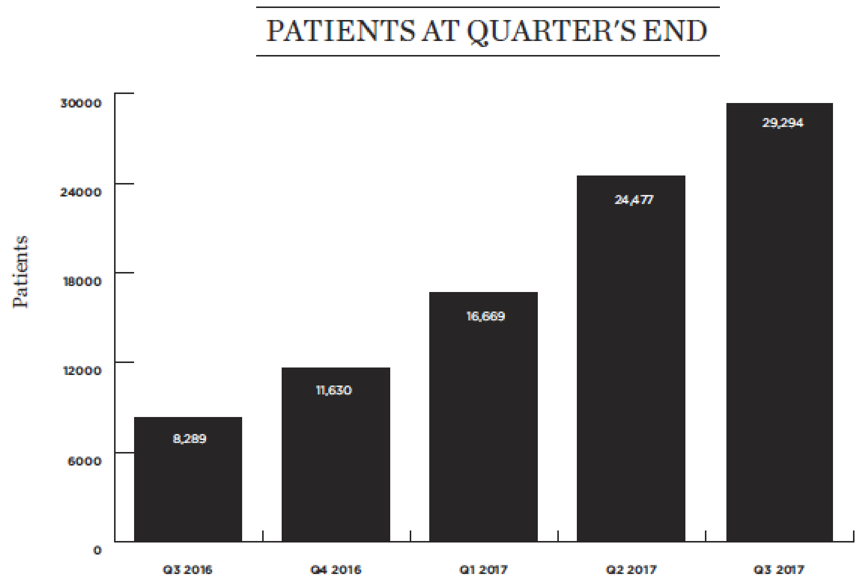
The following table sets forth condensed interim consolidated statements of operations and balance sheet data, which is expressed in thousands of Canadian dollars, except share and per share amounts, for the indicated periods.

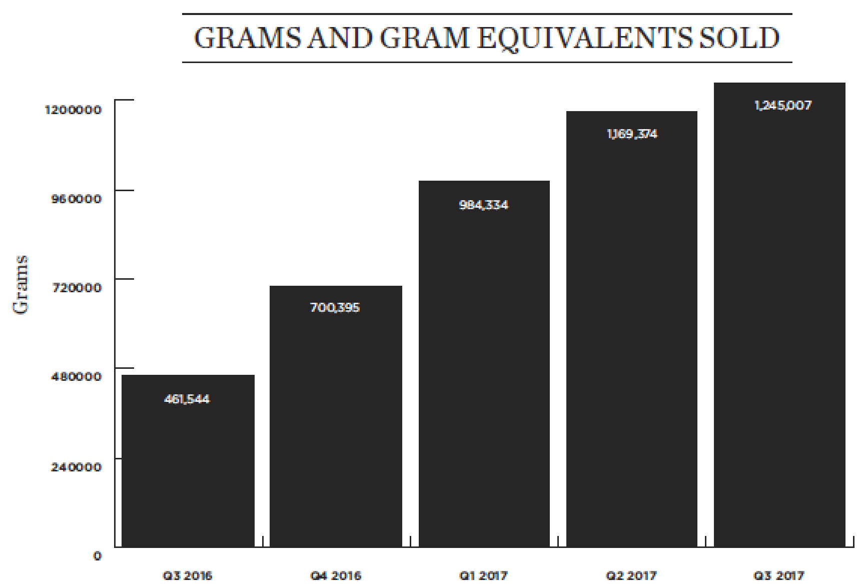
SELECTED QUARTERLY INFORMATION
(CDN $000's, except share amounts)

	Three Months Ended		Nine Months Ended	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Revenue	**9,752**	3,481	**25,234**	7,657
Gross margin	**16,943**	2,756	**36,215**	16,298
Gross margin %	**174%**	79%	**144%**	213%
Operating expenses	**12,190**	5,459	**29,432**	14,050
Income (loss) from operations	**4,753**	(2,703)	**6,783**	2,248
Net income (loss) after taxes	**2,976**	(3,316)	**4,457**	1,626
Net income (loss) per share - basic	**$ 0.03**	$ (0.04)	**$ 0.04**	$ 0.02
Weighted average shares - basic	**116,813,261**	93,355,021	**109,725,439**	69,356,439
Net income (loss) per share - diluted	**$ 0.02**	$ (0.04)	**$ 0.04**	$ 0.02
Weighted average shares - diluted	**123,034,872**	93,355,021	**114,094,787**	76,688,213

Selected statements of financial position information	**December 31, 2016**	**March 31, 2016**
Cash and cash equivalents	**92,504**	15,397
Biological assets	**5,307**	5,321
Inventory	**50,598**	22,153
Other working capital	**(9,756)**	(5,218)
Long-term debt	**7,170**	4,022
Shareholders' equity	**251,524**	123,785

Results of Operations for the three and nine months ended December 31, 2016 as compared to the three and nine months ended December 31, 2015





REVENUE

Revenue for the quarter ended December 31, 2016 and 2015 was $9,752 and $3,481, respectively. The increase in revenue, period-over-period, was due primarily to growth in the Company’s patient base from over 8,000 at the end of December 31, 2015 to over 29,000 at December 31, 2016.

Relative to the second quarter of Fiscal 2017, sales were capacity constrained by the availability of product and product mix in the offering. For example, through the third quarter Tweed generally had 5 to 6 strains available for sale, and only one oil on offer. This compares to the current offering, as of February 13th, 2017, of 11 products, including 4 oils. As at December 31, 2016, there were 711 kg of dry product approved for sale of varying mix of THC and CBD offerings. The exceptionally large harvest in October followed normal course procedures to fully test the record crops harvested at Tweed Farms before approving the extensive product release for sale subsequent to the quarter’s end. At the end of the third quarter, 3,809 kg of inventory was either in process of finishing or awaiting approval for sale.

Another 3,844 kg of extraction-grade inventory has been accumulated and set aside for oil extraction. Management believes the extraction-grade inventory will be rapidly converted to oils and capsules when the new AES industrial capacity extraction equipment is fully commissioned and capsules are approved for sale by Health Canada.

Revenue in the nine months ended December 31, 2016 totaled $25,234 as compared to $7,657 in the same period last year.

The Company introduced the sale of Tweed Cannabis Oil, through Tweed, which commenced February 24, 2016. Tweed and Bedrocan began selling Bedrocan’s Bedro-oil in the first quarter of Fiscal 2017 on June 9 and June 20, 2016, respectively. The Company believes the sale of cannabis oils will represent a significant revenue stream going forward. Through the third quarter and nine months ended December 31, 2016, oils accounted for 12.3% and 11.5%, respectively, of the reported revenue for each period.

The total quantity of cannabis sold during the quarter ended December 31, 2016 was 1,245 kilograms and kilogram equivalents at an average price of $7.36 per gram, up from 1,169 kilograms and kilogram equivalents at an average price of $7.01 per gram in the second quarter of Fiscal 2017 and up from 462 kilograms sold during the three-month period ended December 31, 2015 at an average price of $7.34 per gram. Year-to-date, the Company has sold 3,399 kilograms and kilogram equivalents at an average price of $7.12 per gram compared to 996 kilograms at an average price of $7.49 per gram in the nine months ended December 31, 2015. The higher proportion of Bedrocan sales which are at a lower average sales price per gram caused the downward effect on the average selling price per gram in the year to date periods.

COST OF SALES

Plants that are in pre-harvest are considered biological assets and are capitalized on the balance sheet at fair market value less cost to sell at their point of harvest. Costs to sell include trimming, fulfillment, testing and shipping costs. As they continue to grow through the pre-harvest stages, a corresponding non-cash unrealized gain is recognized in income through cost of sales, reflecting the changes in fair value of the biological assets. At harvest, the biological assets are transferred to inventory at their fair value, which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offsets against the gain on biological assets. In addition, the cost of production is expensed through cost of sales and represents overheads and other production costs of growing and selling the plants. Together, the gain from changes in the fair value of biological assets, inventory expensed and the cost of production comprise cost of sales. We expect cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the period.

During the three and nine months ended December 31, 2016, the Company harvested 5,264 kg and 8,858 kg, respectively, compared to 2,344 kg and 4,389 kg during the three and nine months ended December 31, 2015, respectively.

The recovery to cost of sales during the quarter ended December 31, 2016 was comprised of a non-cash unrealized gain on changes in the fair value of biological assets of $18,141 which was partially offset by the inventory expensed of $9,543 and $1,407 for other production costs, for a net recovery to cost of sales of $7,191. The impact of changes in the fair value of biological assets recorded during the quarter was due in large part to the full utilization of the Tweed Farms 350,000 square foot greenhouse, along with significantly higher expected yields per plant realized in the third quarter ended December 31, 2016.

The recovery to cost of sales during the nine month period ended December 31, 2016 was comprised of a non-cash unrealized gain on changes in the fair value of biological assets of $40,901, which was partially offset by the inventory expensed of $24,611 and other production costs of $5,309 for a net recovery to cost of sales of $10,981.

Non-cash movements in cost of sales for the three months ended December 31, 2016 total to a net non-cash gain of $14,441 which consists of the $18,141 unrealized gain on change in fair value of biological assets and the net changes in biological assets and inventory of $775 partially offset by a $4,475 provision related to reduce net realizable value adjustments related to the compassionate pricing discount program. In the comparative three month period of Fiscal 2016, the total non-cash movements in cost of sales netted to $2,801.

Non-cash movements in cost of sales for the nine months ended December 31, 2016 total to a net non-cash gain of $28,294 which consists of the $40,901 unrealized gain on change in fair value of biological assets partially offset by a $4,370 provision related to reduce net realizable value adjustments related to the compassionate pricing discount program and the net changes in biological assets and inventory of $8,237. In the comparative nine month period of Fiscal 2016, the total non-cash movements in cost of sales netted to $16,712.

GROSS MARGIN

The gross margin was $16,943, or 174% of revenue, for the three month period ended December 31, 2016. In the comparative period ended December 31, 2015, the gross margin on the same basis was $2,756 or 79% of revenue. In the nine-month period ended December 31, 2016, gross margin was $36,215 or 144% of revenue, compared to $16,298 or 213% of revenue in same period last year. Gross margin includes the unrealized gains on changes in fair value of biological assets.

The gross margin was principally due to the relative size of the unrealized gain on changes in the fair value of biological assets. Tweed and Bedrocan's completed and planned grow rooms plus the expanded production capacity of Tweed Farms are expected to yield harvests which will produce increased volumes of available inventories and strains for the Company's registered clients and for export. Larger volumes of product mean that the fixed overhead costs will eventually be spread over more product thereby reducing production costs on a per gram basis. The Company continues to refine its production processes and methodologies in order to increase production yields and gross margins.

ADJUSTED PRODUCT CONTRIBUTION (NON-GAAP MEASURE)

Management makes use of an "Adjusted Product Contribution" measure to provide a better representation of performance in the period by excluding the non-cash fair value measurements as required by IFRS. The Adjusted Product Contribution used by Management is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it represents the gross margin for management purposes based on the Company's complete cost to produce inventory sold, removing fair value measurements as required by IFRS. The following is the Company's Adjusted Product Contribution as compared to the reported gross margin, which includes the unrealized gain on changes in fair value of biological assets, in accordance with IFRS:

The gross margin has been adjusted by removing the effects of the IFRS non-cash unrealized gain on changes in fair value of biological assets, the effect of inventory expensed to cost of sales in the period, as fair value measured under IFRS, and removing the effect of all production costs before adding back the costs related to the grams grown, harvested, and sold in the period at the weighted average cost per gram inclusive of all costs from seed to sale consistent with the accounting estimates for biological assets, inventory and production costs associated with growing, harvesting, processing and selling medical cannabis.

The Adjusted Product Contribution in the third quarter of fiscal 2017 was $6,677, or 68% of revenue. In the comparative period last year, the Adjusted Product Contribution was $2,422, or 70% of revenue. Year-to-date, the Adjusted Product Contribution was $16,295, or 65% of revenue. In comparison, the Adjusted Product Contribution in the nine months ended December 31, 2015 was $4,985 or 65% of revenue.

CANOPY GROWTH CORPORATION								
Unaudited Non-GAAP Measure	**Three Months Ended**				**Nine Months Ended**			
(In CDN$000's, except gram amounts)	**December 31, 2016**		December 31, 2015		**December 31, 2016**		December 31, 2015	
Adjusted Product Contribution[1]								
Weighed average cost per gram	**$**	**2.47**	$	2.29	**$**	**2.63**	$	2.68
Grams sold in the period		**1,245,095**		461,544		**3,398,803**		996,045
Revenue	**$**	**9,752**	$	3,481	**$**	**25,234**	$	7,657
Adjusted cost of sales		**(3,075)**		(1,059)		**(8,939)**		(2,672)
Adjusted Product Contribution	**$**	**6,677**	$	2,422	**$**	**16,295**	$	4,985
Adjusted Product Contribution percentage of revenue		***68%***		*70%*		***65%***		*65%*
As compared to the Gross Margin per IFRS:								
Gross margin	**$**	**16,943**	$	2,756	**$**	**36,215**	$	16,298
Gross margin percentage of revenue		***174%***		*79%*		***144%***		*213%*

Notes:

1 - The Adjusted Product Contribution removes the fair value measurements required under IFRS and recognizes the cost of sales based on the weighted average cost per gram to produce and applied to the grams sold in the period.

OPERATING EXPENSES

Sales and marketing expenses for the quarter ended December 31, 2016 and 2015 were $3,780 and $1,372, respectively. Sales and marketing expenses have stayed consistent at 39% of revenue for the quarter ended December 31, 2016 and 2015. These costs include non-cash, share-based compensation of $618 related to previously issued escrowed shares, and $642 in higher patient support payments directly attributed to patient growth. Other expense growth related to increased marketing-related staff, costs associated with the Company's medical outreach program, branding programs and the increasing client care center, which interfaces directly with the Company's growing base of clients. Since December 31, 2015, the number of patients has grown from over 8,000 to over 29,000 at December 31, 2016. The outreach program is targeted towards ensuring that healthcare practitioners understand how they can incorporate medical cannabis into their practices. These expenditures are consistent with the Company's view that early-mover advantage and strong brand recognition are essential to the Company's successful ongoing customer acquisition strategy. These costs represent a strategic investment, which management believes will have a future benefit in customer acquisition and retention.

Sales and marketing expenses for the nine-months ended December 31, 2016 were $8,850 or 35% of revenue. In the comparative period last year, sales and marketing expenses were $3,253 or 43% of revenue. These costs include a full nine months of Bedrocan operations amounting to an increase of $609, non-cash, share-based compensation of $1,001 related to previously issued escrowed shares, and $1,300 in higher patient support payments directly attributed to patient growth. Also included are higher staff levels, costs associated with the Company's medical outreach program, branding programs and the expanding client care center. Management believes sales and marketing expenses, as a percentage of revenue, will decline over time.

Research and development ("R&D") expenses for the quarter ended December 31, 2016 and 2015 were $439 or 5% of revenue and $192 or 6% of revenue, respectively. The Company's R&D team is researching a variety of intellectual property opportunities, including those relating to growth patterns under different environmental scenarios and the genetics of various strains, the production of cannabis in encapsulated forms as well as in the development and implementation of internal testing resources, capabilities and procedures. In addition, the Company has invested in the development of patent pending technology related to equipment that Tweed has engineered specifically for the cannabis industry and which is in daily use in Tweed's operations.

R&D expenses for the nine-months ended December 31, 2016 were $1,345 or 5% of revenue. In the comparative period last year, research and development expenses in the nine months ended December 31, 2015 were $441 or 6% of revenue. These costs include a full nine months of Bedrocan operations amounting to an increase of $440. Management believes that research and development expenses will continue to increase marginally, but continue to decrease marginally as a percentage of revenue, over the foreseeable future.

General and administrative ("G&A") expenses for the quarter ended December 31, 2016 and 2015 were $4,043 and $1,962, respectively. General and administrative expenses have declined from 56% of revenue in the third quarter of Fiscal 2016 to 42% of revenue in the quarter ended December 31, 2016. The G&A expenses include higher finance charges such as credit card payment processing fees of $160 due to increased sales activity. G&A expenses during the third quarter also included higher employee compensation related expenses due to increased staff levels, extensive use of consultants and advisory services while expanding and commercializing the Company's operations, facility costs in Smiths Falls, Tweed Farms and Bedrocan, compliance costs associated with meeting Health Canada requirements, as well as other public company related expenses including related professional fees.

Overall, the increase in G&A reflects the Company's growth and building of commercial capacity and capability. G&A expenses in the nine-months ended December 31, 2016 were $10,924 or 43% of revenue. In the comparative period last year, G&A expenses were $5,619 or 73% of revenue. These costs include a full nine months of Bedrocan operations, whereas the comparative period included only three months, amounting to an increase of $1,500 over the same prior period, fees related to the Company's graduation to the TSX in the amount of $400, higher audit and professional services fees of $330, and higher finance charges such as credit card payment processing fees of $343 due to increased sales activity. G&A expenses during the nine-months ended December 31, 2016 also included higher employee compensation related expenses due to increased staff levels, one-time employee compensation related expenses, and extensive use of consultants and advisory services while expanding and commercializing the Company's operations, facility costs in Smiths Falls, Tweed Farms and Bedrocan. In addition, compliance costs associated with meeting Health Canada requirements, as well as other public company related expenses including related professional fees were also included. Management believes that G&A expenses overall, as a percentage of sales, will decrease marginally over the foreseeable future. As international expansion forms a key component of the Company's business growth strategy, the Company expects to incur related costs, such as legal and tax advice, while pursuing these business ventures in the future.

ADJUSTED EBITDA (NON-GAAP MEASURE)

The Company's "Adjusted EBITDA" is a Non-GAAP metric used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines the Adjusted EBITDA as the Income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock based compensation expense, depreciation, and the non-cash effects of accounting for biological assets and inventories, and further adjusted to remove acquisition related costs. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-cash items and acquisition activities.

Adjusted EBITDA in the third quarter fiscal 2017 amounted to a loss of $4,615 compared to a loss of $3,571 in the same period last year. In the nine-months ended December 31, 2016, the Company's Adjusted EBITDA amounted to a loss of $11,669. In the nine-months ended December 31, 2015, the Company's Adjusted EBITDA amounted to a loss of $9,727.

CANOPY GROWTH CORPORATION								
Unaudited Non-GAAP Measure	**Three Months Ended**		**Three Months Ended**		**Nine Months Ended**		**Nine Months Ended**	
(In CDN$000's)	**December 31, 2016**		**December 31, 2015**		**December 31, 2016**		**December 31, 2015**	
Unaudited Adjusted EBITDA[1] Reconciliation								
Income (loss) from operations - as reported	$	4,753	$	(2,703)	$	6,783	$	2,248
Share-based compensation expense		2,115		1,162		4,347		2,107
Acquisition Costs		1,383		16		1,975		1,155
Contingent consideration provision		527		-		527		-
Share of loss in equity investments		-		-		50		-
Depreciation and amortization		1,048		755		2,943		1,475
		5,073		1,933		9,842		4,737
IFRS non-cash accounting related to biological assets and inventory								
Unrealized gain on changes in fair value of biological assets		(18,141)		(9,013)		(40,901)		(26,768)
Inventory allowance to net realizeable value		4,475		155		4,370		1,014
Net change in biological assets and inventory		(775)		6,057		8,237		9,042
		(14,441)		(2,801)		(28,294)		(16,712)
Adjusted EBITDA	$	(4,615)	$	(3,571)	$	(11,669)	$	(9,727)

1 - Adjusted EBITDA is Earnings Before Interest, Tax, and Depreciation and other non-cash items, and as adjusted for acquisition related items.

OTHER EXPENSES AND NET INCOME

Interest income was interest received from the cash the Company has deposited with a Schedule A Canadian financial institution and was offset by long-term debt interest expense for loans at Tweed Farms and Bedrocan and miscellaneous interest charges such as on capital leases. For the quarter ended December 31, 2016 and 2015, it netted to interest expense of $181 and $102, respectively. In the nine-months ended December 31, 2016 and 2015, net interest expense was $270 and $111, respectively. The net interest expense in the nine months ended December 31, 2016 related to higher long-term debt outstanding mainly from the acquired debt from the Bedrocan acquisition and the increase in the mortgage debt on the Tweed Farms facility.

The MedCann Access acquisition included consideration which is contingent on future performance. This consideration was recognized as a liability on the balance sheet at its estimated fair value. The change in the fair value of the contingent consideration associated with the MedCann Access acquisition is recorded in earnings and resulted in an expense of $895 and $1,193, respectively, for the three and nine months ended December 31, 2016. The increase in the contingent consideration was due to the appreciation of Canopy Growth's share price since October 1, 2015. On October 1, 2016, the contingent consideration liability was reduced to NIL.

The Company recorded an income tax expense of $701 and $863, respectively, for the three and nine months ended December 31, 2016, relating to changes in the deferred tax liability. In the comparative periods last year, the Company did not record an income tax expense.

Net income for the quarter ended December 31, 2016 was $2,976 or $0.03 per basic share and $0.02 per diluted share, including a non-cash unrealized gain on changes in the fair value of biological assets of $18,141. In the comparative period last year, net loss was $3,316 or $0.04 per basic and diluted share including a non-cash unrealized gain on changes in the fair value of biological assets of $9,013.

Year-to-date, the Company recorded net income of $4,457 or $0.04 per basic and diluted share. In the comparative period last year, the Company reported net income $1,626 or $0.02 per basic and diluted share.

LIQUIDITY

As at December 31, 2016, the Company had cash and cash equivalents available of $92,504, up from $15,397 at the end of Fiscal 2016. The increase from the end of Fiscal 2016 was due to cash received from the bought deal financings that closed on April 15, 2016, August 24, 2016 and December 22, 2016, and options exercised, combined totaling $102,735, net of share issue costs. The increase also included $3,500 in mortgage proceeds received in the second quarter, offset by the capital expansion at Tweed and Tweed Farms totaling $16,700 and to fund the cash applied to operating activities of $11,361. While the Company has incurred cash losses to date, management anticipates success and eventual cash profitability of the business, though there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach profitability.

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements.

The table below sets out the cash, biological assets, inventory, other working capital, and long-term debt at December 31, 2016 and March 31, 2016.

(CDN $000's)	**December 31, 2016**	March 31, 2016
Cash & cash equivalents	**$ 92,504**	$ 15,397
Biological assets	**5,307**	5,321
Inventory	**50,598**	22,153
Other working capital	**(9,756)**	(5,218)
Long-term debt	**7,170**	4,022

The increase in total working capital to $138,653 (March 31, 2016 - $37,653) was primarily due to the $106,026 in gross proceeds from the equity financings raised in the first, second and third quarters of Fiscal 2017 and to the increase in biological assets with the Tweed Farms greenhouse now in full production. This was offset slightly by higher accounts payable and accrued liabilities, in part due to the increased construction and expansion activity, and increased short-term debt, primarily due to the increase in the current portion of the mortgage debt on the Tweed Farms facility since the end of Fiscal 2016.

The Company's biological assets (plants in various stages of growth) had an expected yield of approximately 3,129 kilograms as at December 31, 2016, compared to 2,121 kilograms as at March 31, 2017. At December 31, 2017, inventory quantities amounted to 8,375 kilograms of dry cannabis at December 31, 2017. Of this amount, 711 kilograms was finished goods available for sale; 3,809 kilograms of product in process of testing and awaiting release for sale, and 3,855 kilograms of extract-grade cannabis held for conversion to oils and to capsules when permitted by Health Canada. This compares to March 31, 206 when a total of 4,447 kilograms of dry cannabis was in inventory, comprised of 1,198 kilograms of finished goods, 787 kilograms of product awaiting approvals to be released for sale, and 2,462 kilograms of extract-grade cannabis being held for oil conversion. In addition, the Company had 2,683 litres of cannabis oil on hand at December 31, 2016, up from 570 litres held at March 31, 2016. The significant increase since March 31, 2016 was principally due to the largest harvest experienced to date in October at the Company's greenhouse in Niagara-on-the-Lake.

Inventory at December 31, 2016 amounted to $50,598 (March 31, 2016 - $22,153) and biological assets amounted to $5,307 (March 31, 2016 - $5,321), together totaling $55,905 (March 31, 2016 - $27,474).

The biological assets increased from the end of Fiscal 2016 due to significantly higher yielding plants, predominately at Tweed Farms, which were in their later stage of their growth cycle at the end of the second quarter. Harvested plants were added to inventories during the quarter and quantities maintained to meet the continued growth in sales expected and meet strain availability requirements, and the expansion of oils. In addition, from time to time, the Company may opportunistically sell inventory to the wholesale market.

As at December 31, 2016, the Company held 8,375 kg of dry cannabis and 2,683 L of cannabis oils. Included in the dry cannabis quantities was 3,855 kg set aside to be processed into oil and 3,809 kg of product being processed or awaiting for release to sale as dry cannabis, leaving 711 kg in dried cannabis as available for sale in the Company's on-line stores. This compares to 4,447 kg of dry cannabis and 570 L of cannabis oils, in total, held at March 31, 2016.

The long-term assets which total $127,982 (March 31, 2016 - $98,515) were comprised principally of intangible assets of $66,550, property, plant and equipment and assets in process of $60,937 that relate to the infrastructure build out for growing production and operations, and other long-term assets of $495 that relates to long-term deferred rent.

In total, the Company received net proceeds $56,255 from the bought deal for common shares issued on December 22, 2016, net of share issue costs and $2,327 in cash proceeds from the exercise of options during the quarter ended December 31, 2016.

The chart below highlights the Company's cash flows during the nine month periods ended December 31, 2016 and 2015.

(CDN $000's)	**Nine Months Ended**			
Net cash provided by (used in)		**December 31, 2016**		December 31, 2015
Operating activities	**$**	**(11,361)**	$	(11,142)
Financing activities		**105,914**		18,621
Investing activities		**(17,446)**		(9,206)
Cash and cash equivalents, beginning of period		**15,397**		21,446
Cash and cash equivalents, end of period	**$**	**92,504**	$	19,719

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities prior to changes in working capital during the nine month period ended December 31, 2016 amounted to $13,696, with net income of $4,457 which included the non-cash unrealized gain on biological assets of $40,901 to more than offset net changes in inventory and biological assets of $8,237 and other non-cash items such as depreciation and amortization of $2,943, the increase in the inventory allowance to net realizable value of $4,370 and total share-based compensation of $4,347. The cash used in operating activities after changes in working capital during the nine month period ended December 31, 2016 amounted to $11,361.

In the comparative period last year, the cash used in operating activities prior to changes in working capital during the nine-months ended December 31, 2015 was $10,993, with net income of $1,626 which included the non-cash unrealized gain on biological assets of $26,768 to more than offset net changes in inventory and biological assets of $9,042 and other non-cash items such as depreciation and amortization of $1,475 and share-based compensation of $2,107. The cash used in operating activities after changes in working capital during the nine month period ended December 31, 2015 amounted to $11,142.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the nine-months ended December 31, 2016 of $105,914 mainly resulted from the bought deal financings which closed on April 15, 2016, August 24, 2016 and December 22, 2016 for combined net proceeds of $99,206, the proceeds from the issuance of new mortgage debt of $3,500, and the proceeds from the exercise of warrants and stock options amounting to $3,583. The cash proceeds were partially offset by the repayment of long-term debt amounting to $608.

In the comparative period last year, the cash provided by financing activities during the nine-months ended December 31, 2015 of $18,621 mainly resulted from the bought deal financing which closed on November 17, 2015 for net proceeds of $12,919 and the proceeds from the exercise of warrants and stock options amounting to $7,660, partially offset by the repayment of long-term debt amounting to $1,985.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the nine-months ended December 31, 2016 of $17,446 was due to purchases of property, plant, and equipment and assets in process and the acquisitions of Vert and Hemp. The capital expenditures mainly relate to adding additional grow rooms and converting existing rooms for growing purposes and expanding oil extraction capability at Tweed.

In comparison, the cash used in investing activities during the nine-months ended December 31, 2015 of $9,206 was primarily due to purchases of property, plant, and equipment and assets in process of $9,974 partially offset by the cash and cash equivalents acquired of $1,054 from the acquisition of Bedrocan and MedCann Access. The capital expenditures primarily related to investments to expand capacity at Tweed Farms.

LIQUIDITY, FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, the Company has a history of losses with an accumulated deficit of $9,318, share capital of $253,009 and working capital of $138,653 as at December 31, 2016. This compares to an accumulated deficit of $13,775, share capital of $131,080 and working capital of $37,653 as at March 31, 2016. See below under the heading "Risk Factors".

CAPITAL ACTIVITIES

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the Company's activities. The Company, upon approval from its Board of Directors, will undertake to balance its overall capital structure through new share issues, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's principal capital needs are for funds to expand its growing rooms, ancillary rooms, strategic acquisitions, and general working capital requirements to support growth including new opportunities to produce and sell cannabis oil and fresh cannabis buds and leaves. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock. On November 7, 2014, a mortgage was obtained on the Tweed Farms property. The mortgage was obtained from a Canadian financial institution for an original amount of $1,875 (December 31, 2016 - $1,407) at an annual interest rate of 5.3% and had a term of 5 years and an amortization period of 7 years. Through the acquisition of Bedrocan on August 28, 2015, the Company has a long-term debt facility totaling $1,762 with an interest rate of 10%, due on July 1, 2024, payable in blended monthly payments (See **"Transactions with Related Parties"**).

On August 5, 2016, the Company obtained a second mortgage with the same Canadian financial institution for an original amount of $3,500 (December 31, 2016 – $3,366). The mortgage has a maturity date of August 1, 2021, and is secured by a first charge mortgage on the Tweed Farms property, a first position on a Tweed Farms general security agreement and a specific security interest, backed by a corporate guarantee from the Company. So long as the Company has positive cash on its balance sheet at year-end, it will be deemed to have met its financial covenant. The mortgage payable can be prepaid at any time but is subject to a prepayment fee equal to the greater of (a) three months' interest on the amount being prepaid or (b) the amount of interest lost by the lender over the remaining term of the loan on the amount being prepaid.

The Company also has a revolving line of credit for up to $2,000, with a variable interest rate based on the CIBC prime rate plus 1.2% with a 5 year term and interest only payments on drawn amounts, but is payable on demand or may be prepaid at any time at the option of the Company. The line of credit is subject to disbursement conditions related to capital expenditures at Tweed Farms. The line of credit was undrawn as at December 31, 2016.

The Company's authorized share capital is an unlimited number of common shares of which 123,506,727 common shares were issued and outstanding as at December 31, 2016, after excluding 1,291,776 escrowed shares to be released after meeting certain conditions (March 31, 2016 – 98,818,213 common shares); 8,269,920 shares under the Company employee stock option plan ("ESOP") at prices between $0.43 and $11.40 per share at December 31, 2016 (March 31, 2016 – 8,446,182 option shares); and no common share warrants were outstanding at December 31, 2016 (March 31, 2016 – 1,138,104 warrants).

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those as stated below in the section titled "Transactions with Related Parties".

TRANSACTIONS WITH RELATED PARTIES

The Company leased office premises from Tweed Hershey Drive Inc., which was related through common ownership (the Company's CEO and chairman is a significant shareholder of the lessor). Subsequent to December 31, 2016 and on January 13, 2017, the Company acquired the land and buildings at 1 Hershey Drive in Smiths Falls, Ontario. Details of the amounts expensed and owing related to these premises are detailed in Note 14 Related Parties in the Condensed Interim Consolidated Financial Statements for the three and nine months ended December 31, 2016 and 2015.

The Company leases premises for the two Bedrocan facilities in Toronto from a company controlled by Murray Goldman, a director of Canopy Growth Corporation. The leases expire on October 15, 2018 and August 31, 2024. Details of the amounts expensed and owing related to these premises are described in Note 14 Related Parties in the Condensed Interim Consolidated Financial Statements for the three and nine months ended December 31, 2016 and 2015.

The Chief Executive Officer has been engaged to provide services to the Company at $50 per quarter and is eligible for up to a $200 annual bonus. Details of the amounts expensed and owing related to these services are described in Note 14 Related Parties in the Condensed Interim Consolidated Financial Statements for the three and nine months ended December 31, 2016 and 2015.

The Company currently has one loan payable to a director of Canopy Growth Corporation. Included in interest expense is an amount of $46 and $92, for the three and nine month period ended December 31, 2016, respectively. At December 31, 2016, the loan balance was $1,762 (March 31, 2016 - $1,869).

Pursuant to the share purchase agreement with Hemp.CA, the Company owes $295 to a shareholder of Hemp.CA and who is now, Senior Vice President and Managing Director of Hemp.CA which will be paid on or before April 1, 2017. In addition, the Company entered into a lease for the Vert and Hemp.CA properties, of which the said shareholder is the landlord. The lease expires on November 1, 2036 and the Company has two automatic renewal terms of 10 years each. For the three and nine months ended December 31, 2016, the expense incurred under this lease including base rent and operating costs was $9.

During the quarter ended December 31, 2016 and 2015, $54 and $73, respectively, was expensed as director's fees. No amounts remained outstanding at December 31, 2016 and March 31, 2016.

These transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

RISKS AND UNCERTAINTIES

Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail under the heading "Risk Factors" in the Company's AIF dated July 29, 2016 and in the Company's Short-Form Prospectuses dated December 16, 2016, August 18, 2016, and April 8, 2016 filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers:

- The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;
- The Company's ability to grow, store and sell medical cannabis in Canada are dependent upon licenses from Health Canada which are subject to ongoing compliance and reporting requirements;
- The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada;
- The introduction of home and designated growing may have a negative impact on the Company's sales and infringe on the Company's market;
- Greater access to medical cannabis, through home and designated growing and illegal dispensaries, may decrease the number of patients registering with the Company and may cause registered patients to leave the Company and grow for themselves;
- Home and designated growing may increase access to cannabis in the illegal market, potentially impacting the public's perception of the Company, and the cannabis industry as a whole;
- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment;
- Third parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical cannabis business activities;
- The operation of the Company can be impacted by adverse changes or developments affecting the facilities of the Company's wholly-owned subsidiaries;
- The Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- The Company's growth strategy contemplates outfitting its facilities with additional production resources. A variety of factors could cause these activities to not be achieved on time, on budget, or at all. As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises;
- The Company and its wholly-owned subsidiaries have limited operating histories;
- Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;
- The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's

products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical cannabis market or any particular product, or consistent with earlier publicity;

- The Company and its wholly-owned subsidiaries face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;

- The products of the Company's wholly-owned subsidiaries could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its wholly-owned subsidiaries could face increase operational scrutiny by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses;

- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;

- The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;

- The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;

- The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;

- The Company could fail to integrate acquired companies into the business of the Company;

- Completed acquisitions, strategic transaction or investments could fail to increase shareholder value;

- Certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;

- The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;

- The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;

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

- A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders;

- The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings;

- The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety; and

- The Company has, and will have, certain business arrangements with third parties, the breakdown/loss of which could impact its operations.

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