

## **NOTICE TO READER**

As of September 30, 2019, Canopy Growth Corporation (the “Company”) determined that it no longer qualified as a “foreign private issuer” as such term is defined in Rule 405 under the Securities Act of 1933. This means that as of April 1, 2020, the Company has been required to comply with all of the periodic disclosure requirements of the Securities Exchange Act of 1934 applicable to U.S. domestic issues, such as Forms 10-K, 10-Q and 8-K, rather than the forms the Company has filed with the Securities and Exchange Commission (“SEC”) in the past as a foreign private issuer, such as Forms 40-F and 6-K.

Accordingly, the Company is now required to prepare its financial statements filed with the SEC in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). As required pursuant to section 4.3(4) of National Instrument 51-102 – *Continuous Disclosure Obligations*, the Company must restate its interim financial reports for the fiscal year ended March 31, 2020 in accordance with U.S. GAAP, such interim financial reports having previously been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The attached amended and restated condensed interim consolidated financial statements (the “Financial Statements”) for the three months ended June 30, 2019 and 2018 have been prepared in accordance with U.S. GAAP, are current as of August 14, 2019 and provide financial information for the three months ended June 30, 2019, as amended and restated on July 10, 2020. Other than as expressly set forth above, the revised Financial Statements do not, and do not purport to, update or restate the information in the original condensed interim consolidated financial statements or reflect any events that occurred after the date of the filing of the original condensed interim consolidated financial statements.

The Company’s Annual Report on Form 10-K (the “Annual Report”) dated June 1, 2020 is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov). Readers are cautioned that these Financial Statements should be read in conjunction with the Annual Report, including the consolidated financial statements and the related notes thereto included in Item 8 thereof.

# **CANOPY GROWTH CORPORATION**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018  
(IN CANADIAN DOLLARS)**

# CANOPY GROWTH CORPORATION

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**CANOPY GROWTH CORPORATION****CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**

UNAUDITED

(Expressed in CDN \$000's)

	Notes	June 30, 2019	March 31, 2019
<b>Assets</b>			
Current assets			
Cash and cash equivalents	3	\$ 1,816,632	\$ 2,480,830
Short-term investments	4	1,324,255	2,034,133
Restricted short-term investments		19,533	21,432
Amounts receivable, net	5	102,766	106,974
Inventory	6	254,151	190,072
Prepaid expenses and other assets	7	105,029	85,691
		<b>3,622,366</b>	<b>4,919,132</b>
Equity method investments	8	113,321	112,385
Other financial assets	9	746,691	363,427
Property, plant and equipment	10	1,433,188	1,096,340
Intangible assets	11	569,029	558,070
Goodwill	12	1,877,719	1,489,859
Other assets		31,391	25,902
		<b>\$ 8,393,705</b>	<b>\$ 8,565,115</b>
<b>Liabilities and Shareholders' equity</b>			
Current liabilities			
Accounts payable		\$ 205,033	\$ 188,920
Other accrued expenses and liabilities	13	51,786	37,613
Current portion of long-term debt	14	18,288	103,716
Other liabilities	15	97,647	81,414
		<b>372,754</b>	<b>411,663</b>
Long-term debt	14	787,508	842,259
Deferred income tax liabilities	24	115,077	105,081
Warrant derivative liability	26	1,092,748	-
Other liabilities	15	207,455	134,004
		<b>2,575,542</b>	<b>1,493,007</b>
Redeemable noncontrolling interest	16	8,500	6,400
Canopy Growth Corporation shareholders' equity:			
Common shares - \$nil par value; Authorized - unlimited number of shares; Issued - 339,718,381 shares and 337,510,408 shares, respectively	17	6,077,390	6,029,222
Additional paid-in capital		2,694,673	1,592,024
Accumulated other comprehensive (loss) income	19	(52,039)	(5,905)
Deficit		(3,187,779)	(835,118)
Total Canopy Growth Corporation shareholder's equity		<b>5,532,245</b>	<b>6,780,223</b>
Noncontrolling interests	20	277,418	285,485
Total shareholders' equity		<b>5,809,663</b>	<b>7,065,708</b>
Total liabilities and shareholders' equity		<b>\$ 8,393,705</b>	<b>\$ 8,565,115</b>

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

**CANOPY GROWTH CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS  
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

UNAUDITED

(Expressed in CDN \$000's except share amounts)

	Notes	June 30, 2019	June 30, 2018
Revenue	22	\$ 103,391	\$ 25,916
Excise taxes	22	12,909	-
<b>Net revenue</b>	22	<b>90,482</b>	25,916
Cost of goods sold		72,192	18,452
<b>Gross margin</b>		<b>18,290</b>	7,464
Selling, general and administrative expenses		145,647	43,951
Share-based compensation		87,362	25,567
<b>Total operating expenses</b>		<b>233,009</b>	69,518
<b>Operating loss</b>		<b>(214,719)</b>	(62,054)
Loss from equity method investments	8	(1,833)	(2,569)
Other income (expense), net	23	32,768	(31,169)
<b>Loss before income taxes</b>		<b>(183,784)</b>	(95,792)
Income tax (expense) recovery	24	(10,267)	2,493
<b>Net loss</b>		<b>\$ (194,051)</b>	\$ (93,299)
Net loss attributable to noncontrolling interests and redeemable noncontrolling interest		(8,182)	(3,628)
<b>Net loss attributable to Canopy Growth Corporation</b>		<b>\$ (185,869)</b>	\$ (89,671)
Basic and diluted loss per share		\$ (0.54)	\$ (0.45)
Basic and diluted weighted average common shares outstanding		346,779,156	200,160,740
<b>Comprehensive loss:</b>			
<b>Net loss</b>		<b>\$ (194,051)</b>	\$ (93,299)
Fair value changes of own credit risk of financial liabilities		14,610	(9,420)
Foreign currency translation		(60,744)	(1,320)
<b>Total other comprehensive (loss), net of income tax effect</b>		<b>(46,134)</b>	(10,740)
<b>Comprehensive loss</b>		<b>(240,185)</b>	(104,039)
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interest		(8,182)	(3,628)
<b>Comprehensive loss attributable to Canopy Growth Corporation</b>		<b>(232,003)</b>	(100,411)

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

**CANOPY GROWTH CORPORATION**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**
**FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

UNAUDITED

(Expressed in CDN \$000's except share amounts)	Note	Additional paid-in capital				Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total	
		Common shares	Share-based reserve	Warrants	Ownership changes					Redeemable noncontrolling interest
<b>Balance at March 31, 2018</b>		\$ 1,079,442	\$ 57,982	\$ 70,455	\$ (1,019)	\$ (64,745)	\$ 35,408	\$ (132,904)	\$ 85,732	\$ 1,130,351
Cumulative effect from adoption of ASU 2016-1		-	-	-	-	-	(34,800)	34,800	-	-
Other issuances of common shares and warrants		37,911	(2,616)	-	-	-	-	-	-	35,295
Exercise of warrants		322	-	(189)	-	-	-	-	-	133
Exercise of Omnibus Plan stock options		9,414	(4,318)	-	-	-	-	-	-	5,096
Share-based compensation		-	18,921	-	-	-	-	-	-	18,921
Issuance and vesting of restricted share units		-	2,247	-	-	-	-	-	-	2,247
Changes in redeemable noncontrolling interest		-	-	-	-	(18,826)	-	-	726	(18,100)
Ownership changes relating to noncontrolling interest		-	-	-	(499)	-	-	-	6,223	5,724
Comprehensive loss		-	-	-	-	-	(10,740)	(89,671)	(3,628)	(104,039)
<b>Balance at June 30, 2018</b>		<b>\$ 1,127,089</b>	<b>\$ 72,216</b>	<b>\$ 70,266</b>	<b>\$ (1,518)</b>	<b>\$ (83,571)</b>	<b>\$ (10,132)</b>	<b>\$ (187,775)</b>	<b>\$ 89,053</b>	<b>\$ 1,075,628</b>
<b>Balance at March 31, 2019</b>		<b>\$ 6,029,222</b>	<b>\$ 505,172</b>	<b>\$ 1,589,925</b>	<b>\$ (500,963)</b>	<b>\$ (2,110)</b>	<b>\$ (5,905)</b>	<b>\$ (835,118)</b>	<b>\$ 285,485</b>	<b>\$ 7,065,708</b>
Other issuances of common shares and warrants	17	18,600	(18,674)	-	-	-	-	-	-	(74)
Exercise of warrants	17	897	-	(470)	-	-	-	-	-	427
Exercise of Omnibus Plan stock options	18	28,671	(12,594)	-	-	-	-	-	-	16,077
Share-based compensation	18	-	84,769	-	-	-	-	-	-	84,769
Acreage warrant modification	26	-	-	1,049,153	-	-	-	(2,166,792)	-	(1,117,639)
Changes in redeemable noncontrolling interest	16	-	-	-	-	615	-	-	(2,715)	(2,100)
Ownership changes relating to noncontrolling interest	20	-	-	-	(150)	-	-	-	2,830	2,680
Comprehensive loss		-	-	-	-	-	(46,134)	(185,869)	(8,182)	(240,185)
<b>Balance at June 30, 2019</b>		<b>\$ 6,077,390</b>	<b>\$ 558,673</b>	<b>\$ 2,638,608</b>	<b>\$ (501,113)</b>	<b>\$ (1,495)</b>	<b>\$ (52,039)</b>	<b>\$ (3,187,779)</b>	<b>\$ 277,418</b>	<b>\$ 5,809,663</b>

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

**CANOPY GROWTH CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

UNAUDITED

(Expressed in CDN \$000's)

	Notes	June 30, 2019	June 30, 2018
<b>Cash flows from operating activities</b>			
Net loss		\$ (194,051)	\$ (93,299)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment		13,587	3,661
Amortization of intangible assets		7,165	2,632
Share of loss on equity investments	8	1,833	2,569
Share-based compensation	18	87,362	26,351
Income tax expense (recovery)	24	10,267	(2,721)
Non-cash foreign currency		2,834	834
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Amounts receivable		13,506	(6,321)
Prepaid expenses and other assets		(24,009)	(11,667)
Inventory		(50,716)	(17,113)
Accounts payable and accrued liabilities		(12,582)	1,791
Other, including non-cash fair value adjustments		(13,486)	25,642
Net cash used in operating activities		(158,290)	(67,641)
<b>Cash flows from investing activities</b>			
Purchases of and deposits on property, plant and equipment		(211,824)	(153,654)
Purchases of intangible assets		(7,692)	(2,819)
Redemption (purchase) of short-term investments		687,818	(1,212)
Investments in equity method investees	8	(2,824)	(3,500)
Investments in other financial assets		(29,414)	(21,759)
Investment in Acreage Arrangement	9, 26	(395,190)	-
Change in acquisition related liabilities		(21,447)	-
Net cash outflow on acquisition of subsidiaries	25	(425,024)	(37)
Net cash used in investing activities		(405,597)	(182,981)
<b>Cash Flows from financing activities:</b>			
Payment of share issue costs		(74)	(301)
Proceeds from issuance of shares by Canopy Rivers		86	787
Proceeds from exercise of stock options	18	16,077	1,758
Proceeds from exercise of warrants	17	427	133
Issuance of long-term debt	14(i)	-	600,000
Payment of debt issue costs	14(i)	-	(16,045)
Repayment of long-term debt		(98,207)	(374)
Net cash (used) provided by financing activities		(81,691)	585,958
Effect of exchange rate changes on cash and cash equivalents		(18,620)	-
Net (decrease) increase in cash and cash equivalents		(664,198)	335,336
Cash and cash equivalents, beginning of period		2,480,830	322,560
Cash and cash equivalents, end of period		\$ 1,816,632	\$ 657,896
<b>Supplemental disclosure of cash flow information</b>			
Cash paid during the year:			
Income taxes		-	-
Noncash investing and financing activities			
Additions to property, plant and equipment		124,427	84,460

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in CDN \$000's except share amounts)

**1. DESCRIPTION OF BUSINESS**

Canopy Growth Corporation is a publicly traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario with its common shares listed on the TSX, under the trading symbol "WEED" and as of May 24, 2018 on the NYSE, under the trading symbol "CGC". References in these condensed interim consolidated financial statements to "Canopy Growth" or "the Company" refer to Canopy Growth Corporation and its subsidiaries.

The principal activities of the Company are the production, distribution and sale of cannabis as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR") in Canada, up to and including October 16, 2018. On October 17, 2018, the ACMPR was superseded by The Cannabis Act which regulates the production, distribution, and possession of cannabis for both medical and adult recreational access in Canada. The Company is also expanding to jurisdictions outside of Canada where federally lawful and regulated for cannabis and/or hemp including subsidiaries which operate in the United States, Europe, Latin America and the Caribbean, Asia / Pacific, and Africa. Through its partially owned subsidiary Canopy Rivers Inc. ("Canopy Rivers"), the Company also provides growth capital and a strategic support platform that pursues investment opportunities in the global cannabis sector, where federally lawful.

**2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been presented in Canadian dollars and are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Canopy Growth has determined that the Canadian dollar is the most relevant and appropriate reporting currency as, despite continuing shifts in the relative size of our operations across multiple geographies, the majority of our operations are conducted in Canadian dollars and our financial results are prepared and reviewed internally by management in Canadian dollars. Our condensed interim consolidated financial statements, and the financial information contained herein, are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated.

Certain information and footnote disclosures normally included in the audited annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended March 31, 2020 (the "Annual Consolidated Financial Statements"), and have been prepared on a basis consistent with the accounting policies as described in the Annual Consolidated Financial Statements.

These condensed interim consolidated financial statements are unaudited and reflect adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to provide a fair statement of results for the interim periods in accordance with U.S. GAAP.

The results reported in these condensed interim consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for an entire fiscal year. The policies set out below are consistently applied to all periods presented, unless otherwise noted.

***(i) Principles of consolidation***

The accompanying condensed interim consolidated financial statements include the accounts of the Company and all entities in which the Company either has a controlling voting interest or is the primary beneficiary of a variable interest entity. All intercompany accounts and transactions have been eliminated on consolidation. Information on the Company's subsidiaries with noncontrolling interests is included in Note 20.

***(ii) Variable interest entities***

A variable interest entity ("VIE") is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to control the entity's activities or do not substantially participate in the gains and losses of the entity. Upon inception of a contractual agreement, and thereafter, if a reconsideration event occurs, the Company performs an assessment to determine whether the arrangement contains a variable interest in an entity and whether that entity is a VIE. The primary beneficiary of a VIE is the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under Accounting Standards Codification ("ASC") 810 – *Consolidations*, where the Company concludes that it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE.



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in CDN \$000's except share amounts)

***(iii) Equity method investments***

Investments accounted for using the equity method include those investments where the Company (i) can exercise significant influence over the other entity and (ii) holds common stock and/or in-substance common stock of the other entity. Under the equity method, investments are carried at cost, and subsequently adjusted for the Company's share of net income (loss), comprehensive income (loss) and distributions received from the investee. If the current fair value of an investment falls below its carrying amount, this may indicate that an impairment loss should be recorded. Any impairment losses recognized are not reversed in subsequent periods. Refer to Note 8 for additional information on the Company's investments accounted for using the equity method.

***(iv) Use of estimates***

The preparation of these condensed interim consolidated financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

***(v) New accounting policies******(a) Recently adopted accounting pronouncements******Leases***

In February 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on the recognition and measurement of leases, ASC 842 - *Leases*. Under this guidance, a lessee recognizes assets and liabilities on its balance sheet for most leases. Lease expense continues to be consistent with previous guidance. Additionally, this guidance requires enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leasing arrangements.

The Company adopted the guidance on April 1, 2019, using the modified retrospective approach and, accordingly, prior period balances and disclosures have not been restated. The Company elected the package of transition practical expedients for expired or existing contracts, which retains prior conclusions reached on lease identification, classification, and initial direct costs incurred.

The adoption of this guidance resulted in the recognition of operating lease right-of-use assets of \$99,880, net of lease provisions of \$10,703 and \$110,583 of lease liabilities, with a \$nil impact on deficit. The transition to ASC 842 did not have a material impact on the Company's results of operations or liquidity. When measuring lease liabilities, the Company used its incremental borrowing rate of April 1, 2019 of 4.5%. Further information is disclosed in Note 27.

***Revenues***

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which provides a single comprehensive model for accounting for revenue from contracts with customers and supersedes nearly all previously existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Canopy Growth adopted the new standard as of April 1, 2018. There was no impact of adopting ASU 2014-09 on the condensed interim consolidated financial statements.

***Financial Instruments***

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities, which provides new guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. Canopy Growth adopted the standard on April 1, 2018. Under the new standard, changes in the fair value of equity investments with readily determinable fair values are recorded in other (income) expense, net within the condensed interim consolidated statement of operations. Previously, such fair value changes were recorded in other comprehensive income (loss). The impact of this transition is a cumulative-effect adjustment to deficit of \$34,800.

Canopy Growth has elected to continue to measure its equity investments without readily determinable fair values at fair value. Changes in the measurement of these investments will continue to be recorded in other (income) expense, net within the condensed interim consolidated statement of operations.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in CDN \$000's except share amounts)

*Income taxes*

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which requires the recognition of the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Canopy Growth adopted the standard on April 1, 2018, using a modified retrospective approach. There was minimal impact of adopting ASU 2016-16 on the condensed interim consolidated financial statements.

**(b) Accounting guidance not yet adopted**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2016-13 effective April 1, 2020.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820) ("ASU 2018-13"). ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU 2018-13 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2018-13 effective April 1, 2020.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are disaggregated as follows:

	<b>June 30, 2019</b>	March 31, 2019
Cash	<b>\$ 1,069,395</b>	\$ 1,703,550
Cash equivalents	<b>747,237</b>	777,280
Total cash and cash equivalents	<b>\$ 1,816,632</b>	\$ 2,480,830

**4. SHORT-TERM INVESTMENTS**

The components of short-term investments are as follows:

	<b>June 30, 2019</b>	March 31, 2019
U.S. government securities	<b>\$ 1,173,441</b>	\$ 1,663,245
Canadian government securities	<b>149,379</b>	369,288
Term deposits	<b>1,435</b>	1,600
Total short-term investments	<b>\$ 1,324,255</b>	\$ 2,034,133

The amortized cost of short-term investments at June 30, 2019 is \$1,322,586 (March 31, 2019 - \$2,032,770).

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in CDN \$000's except share amounts)

**5. AMOUNTS RECEIVABLE, NET**

Amounts receivable, net is comprised of:

	<b>June 30, 2019</b>	March 31, 2019
Accounts receivable, net	\$ 56,960	\$ 61,830
Indirect taxes receivable	29,443	27,805
Interest receivable	7,178	7,193
Other receivables	9,185	10,146
<b>Total amounts receivable</b>	<b>\$ 102,766</b>	<b>\$ 106,974</b>

Included in the amounts receivable, net balance at June 30, 2019 is an allowance for doubtful accounts of \$403 (March 31, 2019 - \$635).

**6. INVENTORY**

Inventory is comprised of the following items:

	<b>June 30, 2019</b>	March 31, 2019
Raw materials	\$ 28,572	\$ 845
Work-in-process	150,389	109,672
Finished goods	44,835	30,054
Supplies and consumables	30,355	49,501
<b>Total inventory</b>	<b>\$ 254,151</b>	<b>\$ 190,072</b>

During the three months ended June 30, 2019, inventory write-downs of \$4,789 were included in cost of goods sold.

**7. PREPAID EXPENSES AND OTHER ASSETS**

The Company's prepaid expenses and other assets consists of the following:

	<b>June 30, 2019</b>	March 31, 2019
Prepaid expenses	\$ 32,178	\$ 26,339
Deposits	35,850	29,138
Prepaid inventory	27,244	21,267
Other assets	9,757	8,947
<b>Total prepaid expenses and other assets</b>	<b>\$ 105,029</b>	<b>\$ 85,691</b>

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in CDN \$000's except share amounts)

**8. EQUITY METHOD INVESTMENTS**

The following table outlines changes in the investments in associates that are accounted for using the equity method. Where the Company does not have the same reporting date as its investees, the Company will account for its investment one quarter in arrears. Accordingly, certain of the figures in the following table, including the Company's share of the investee's net income (loss), are based on the investees' results for the period ended March 31, 2019, with adjustments for any significant transactions.

<b>Entity</b>	<b>Instrument</b>	<b>Participating share</b>	<b>Balance at March 31, 2019</b>	<b>Additions</b>	<b>Share of net loss</b>	<b>Balance at June 30, 2019</b>
PharmHouse	Shares	49.0%	\$ 39,278	\$ -	\$ (242)	\$ 39,036
Agripharm	Shares	40.0%	36,127	-	(1,151)	34,976
Beckley Canopy Therapeutics	Shares	42.2%	11,653	-	-	11,653
CanapaR	Shares	46.8%	18,062	-	(177)	17,885
Other	Shares	18.2% to 26.8%	7,265	2,769	(263)	9,771
			\$ 112,385	\$ 2,769	\$ (1,833)	\$ 113,321

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018**

(Expressed in CDN \$000's except share amounts)

**9. OTHER FINANCIAL ASSETS**

The following tables outlines changes in Other financial assets. Additional details on how the fair value of significant investments is calculated are included in Note 21.

Entity	Instrument	Note	Balance at March 31, 2019	Additions	FVTPL	Interest income	Exercise of options / disposal of shares	Balance at June 30, 2019
Acreage	Option	26	\$ -	\$ 395,190	\$ -	\$ -	\$ -	\$ 395,190
TerrAscend	Exchangeable shares		160,000	-	(20,000)	-	-	140,000
PharmHouse	Loan receivable		40,000	-	-	-	-	40,000
SLANG	Warrants		44,000	-	(8,000)	-	-	36,000
Agripharm	Royalty interest		10,254	3,000	1,406	-	-	14,660
ZeaKal	Shares	9(i)	-	13,487	(400)	-	-	13,087
Greenhouse	Convertible debenture		5,944	3,000	2,023	-	-	10,967
Other - classified as fair value through net income (loss)	Various		91,816	2,852	(15,181)	-	(2,639)	76,848
Other - elected as fair value through net income (loss)	Various		9,564	2,166	(935)	-	-	10,795
Other - classified as held for investment	Loan receivable		1,849	7,250	-	45	-	9,144
			\$ 363,427	\$ 426,945	\$ (41,087)	\$ 45	\$ (2,639)	\$ 746,691

- (i) On June 14, 2019, Canopy Rivers acquired 248,473 preferred shares of ZeaKal, Inc. ("ZeaKal"), a California-based plant science company, for \$13,487 which represents a 9% equity interest on a fully diluted basis.

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**10. PROPERTY, PLANT AND EQUIPMENT**

The components of property, plant and equipment are as follows:

	June 30, 2019	March 31, 2019
Buildings and greenhouses	\$ 411,027	\$ 361,958
Production and warehouse equipment	191,654	175,325
Leasehold improvements	47,070	32,264
Land	37,120	37,681
Office and lab equipment	26,052	23,495
Computer equipment	22,506	19,228
Right-of-use assets		
Buildings and greenhouses	109,271	-
Production and warehouse equipment	927	-
Assets in process	647,855	491,722
	1,493,482	1,141,673
Less: Accumulated depreciation	(60,294)	(45,333)
Total	\$ 1,433,188	\$ 1,096,340

Depreciation expense included in cost of goods sold for the three months ended June 30, 2019 is \$9,316 (three months ended June 30, 2018 – \$3,252). Depreciation expense included in selling, general and administrative expenses for the three months ended June 30, 2019 is \$4,271 (three months ended June 30, 2018 – \$409).

**11. INTANGIBLE ASSETS**

The components of intangible assets are as follows:

	June 30, 2019		March 31, 2019	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<u>Finite lived intangible assets</u>				
Licensed brands	\$ 68,018	\$ 66,953	\$ 57,802	\$ 57,678
Distribution channel	42,457	23,312	42,400	25,297
Health Canada and operating licenses	110,455	104,907	104,608	99,587
Intellectual property	152,482	144,956	153,797	149,360
Software and domain names	10,253	6,839	9,701	6,819
Amortizable intangibles in process	6,344	6,268	4,122	4,046
Total	390,009	353,235	372,430	342,787
<u>Indefinite lived intangible assets</u>				
Operating licenses		151,509		151,509
Acquired brands		64,285		63,774
Total intangible assets		\$ 569,029		\$ 558,070

Amortization expense included in cost of goods sold for the three months ended June 30, 2019 is \$12 (three months ended June 30, 2018 – \$10). Amortization expense included in selling, general and administrative expenses for the three months ended June 30, 2019 is \$7,153 (three months ended June 30, 2018 – \$2,622).

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**12. GOODWILL**

The net change in goodwill is as follows:

As at March 31, 2018	\$	277,445
Purchase accounting allocations		1,215,750
Foreign currency translation adjustments		(3,336)
As at March 31, 2019	\$	1,489,859
Purchase accounting allocations		400,807
Foreign currency translation adjustments		(12,947)
<b>As at June 30, 2019</b>	<b>\$</b>	<b>1,877,719</b>

**13. OTHER ACCRUED EXPENSES AND LIABILITIES**

The components of other accrued expenses and liabilities are as follows:

	June 30, 2019	March 31, 2019
Property, plant and equipment	\$ 9,508	\$ 8,013
Professional fees	1,491	2,059
Employee compensation	34,821	20,577
Other	5,966	6,964
	<b>\$ 51,786</b>	<b>\$ 37,613</b>

**14. DEBT**

The components of debt are as follows:

	Maturity Date	June 30, 2019	March 31, 2019
Convertible senior notes at 4.25% interest with semi-annual interest payments	July 15, 2023		
Principal amount		\$ 600,000	\$ 600,000
Accrued interest		11,898	5,454
Non-credit risk fair value adjustment (FVTPL)		145,230	183,120
Credit risk fair value adjustment (FVOCI)		32,520	47,130
		<b>789,648</b>	<b>835,704</b>
Term loan facility advanced in the form of prime rate operating loan		\$ -	\$ 95,000
Transferred receivables, bearing interest rate of EURIBOR plus 0.850%		4,234	-
Other loans, mortgages, and financings		11,914	15,271
		<b>805,796</b>	<b>945,975</b>
Less: current portion		<b>(18,288)</b>	<b>(103,716)</b>
Long-term portion		<b>\$ 787,508</b>	<b>\$ 842,259</b>

**(i) Convertible senior notes**

On June 20, 2018, the Company issued convertible senior notes ("the notes") with an aggregate principal amount of \$600,000. The notes are subordinated in right of payment to any existing and future senior indebtedness, including indebtedness under the revolving credit facility. The notes will rank senior in right of payment to any future subordinated borrowings.

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Holders of the notes have the right to exercise the conversion option at a rate of 20.7577 common shares for every \$1 of principal amount of notes from September 30, 2018 to January 15, 2023, if (i) the market price of the Company common shares for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day, (ii) during the 5 business day period after any consecutive 5 trading day period (the "measurement period") in which the trading price per \$1 principal amount of the notes for each trading day in the measurement period was less than 98% of the product of the last reported sales price of the Company's common shares and the conversion rate on each such trading day, (iii) the notes are called for redemption or (iv) upon occurrence of certain corporate events ("Fundamental Change").

The Company may also redeem the notes if certain tax laws related to Canadian withholding tax change subject to certain further conditions. The redemption of the notes shall be at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest.

The overall change in fair value of the notes during the three months ended June 30, 2019 was a decrease of \$46,056, which included accrued contractual interest of \$6,444. Refer to Note 21 for additional details on how the fair value of the notes is calculated.

**(ii) Alberta Treasury Board ("ATB") financing**

On June 14, 2019, the Company repaid its ATB term loan facility. A payment of \$95,180 was made to settle the loan balance which included interest of \$180.

**(iii) Transferred receivables**

The carrying amounts of the transferred receivables include receivables which are subject to a factoring arrangement. Under this arrangement, C<sup>3</sup> has transferred the relevant receivables to PB Factoring GmbH in exchange for cash. The transferred receivables to PB Factoring GmbH is \$4,704 and the associated secured borrowing is \$4,234.

**(iv) Other mortgages, loans, and financings**

The mortgages are secured by a first charge on the properties in Niagara-on-the-Lake and Bowmanville, Ontario, corporate guarantee from the Company, or a general corporate security agreement.

**15. OTHER LIABILITIES**

The components of other liabilities are as follows:

	June 30, 2019			March 31, 2019			
	Notes	Current	Long-term	Total	Current	Long-term	Total
Acquisition consideration related liabilities		\$ 28,742	\$ 80,780	\$ 109,522	\$ 22,176	\$ 87,747	\$ 109,923
Lease liabilities	27	36,026	82,619	118,645	-	-	-
Minimum royalty obligations		3,445	24,392	27,837	3,445	24,392	27,837
Due to former shareholders of Storz & Bickel		-	-	-	21,447	-	21,447
Refund liability		8,000	-	8,000	-	-	-
Settlement liability	(a)	5,444	14,822	20,266	11,980	16,631	28,611
Other		15,990	4,842	20,832	22,366	5,234	27,600
<b>Total</b>		<b>\$ 97,647</b>	<b>\$ 207,455</b>	<b>\$ 305,102</b>	<b>\$ 81,414</b>	<b>\$ 134,004</b>	<b>\$ 215,418</b>

**(a) Settlement liability**

During the year ended March 31, 2019, the Company reached a settlement with certain co-investors in Bedrocan Brasil S.A. and Entourage Phytolab S.A. to facilitate organizational changes to support the Company's growth in Latin America. Under the terms of the agreement the Company agreed to make cash payments totaling \$25,185 and a final payment equal to 1.2% of the fair value of the Company's Latin American business as of



**CANOPY GROWTH CORPORATION**

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June 30, 2023. The fair value of the settlement was estimated to be \$28,611 and was recorded as an expense. The final payment represents a derivative liability that was initially measured at fair value with subsequent period end remeasurements of fair value recorded through net income (loss).

During the three months ended June 30, 2019, payments totalling \$8,308 were made, with the remaining change in liability relating to accretion expense and fair value changes.

**16. REDEEMABLE NONCONTROLLING INTEREST**

The net changes in the redeemable noncontrolling interests are as follows:

	<b>Vert Mirabel</b>
<b>As at March 31, 2019</b>	<b>\$ 6,400</b>
Income attributable to noncontrolling interest	2,715
Adjustments to redemption amount	(615)
<b>As at June 30, 2019</b>	<b>\$ 8,500</b>

	<b>Vert Mirabel</b>	<b>BC Tweed</b>	<b>Total</b>
<b>As at March 31, 2018</b>	<b>\$ 4,850</b>	<b>\$ 56,300</b>	<b>\$ 61,150</b>
Loss attributable to noncontrolling interest	(726)	-	(726)
Adjustments to redemption amounts	2,526	16,300	18,826
<b>As at June 30, 2018</b>	<b>\$ 6,650</b>	<b>\$ 72,600</b>	<b>\$ 79,250</b>

**17. SHARE CAPITAL**

**CANOPY GROWTH**

**Authorized**

An unlimited number of common shares.

(i) Equity financings

There were no equity financings during the three months ended June 30, 2019.

(ii) Other issuances of common shares

During the three months ended June 30, 2019, the Company issued 482,321 (three months ended June 30, 2018 – 1,326,838) shares with an increase of \$18,674 (three months ended June 30, 2018 – \$38,193) in share capital.

(iii) Warrants

	<b>Note</b>	<b>Number of whole warrants</b>	<b>Average exercise price</b>	<b>Warrant value</b>
<b>Balance outstanding at March 31, 2019</b>		107,848,322	\$ 43.80	\$ 1,589,925
Tranche A warrant modification	26	-	-	1,049,153
Issuance of Tranche B warrants	26	38,454,444	76.68	-
Exercise of warrants		(12,060)	35.36	(470)
<b>Balance outstanding at June 30, 2019<sup>1</sup></b>		<b>146,290,706</b>	<b>\$ 52.44</b>	<b>\$ 2,638,608</b>

<sup>1</sup> This balance excludes the Tranche C Warrants, which represent a derivative liability and have nominal value, see note 26.

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**CANOPY RIVERS****(a) Authorized**

Canopy Rivers Corporation ("Canopy Rivers") is authorized to issue an unlimited number of common shares. There are two classes of common shares: Multiple Voting Shares and Subordinated Voting Shares. Each Multiple Voting Share is entitled to receive 20 votes, while each Subordinated Voting Share is entitled to receive one vote at all meetings of the shareholders. There is no priority or distinction between the two classes of shares in respect of their entitlement to the payment of dividends or participation on liquidation, dissolution or winding-up of the Company.

**(b) Issued and outstanding**

As at June 30, 2019, Canopy Rivers had 36,468,318 Multiple Voting Shares (March 31, 2019 – 36,468,318) and 151,081,576 Subordinated Voting Shares (March 31, 2019 – 150,592,136) issued and outstanding. As at June 30, 2019, the Company held 36,468,318 Multiple Voting Shares (March 31, 2019 – 36,468,318) and 15,223,938 Subordinated Voting shares (March 31, 2019 – 15,223,938) which represented a 27.6% ownership interest in Canopy Rivers and 84.6% of the voting rights (March 31, 2019 – 27.6% and 84.6% respectively). The voting rights allow the Company to direct the relevant activities of Canopy Rivers such that the Company has control over Canopy Rivers and Canopy Rivers is consolidated in these financial statements.

**(c) Financings**

There were no financings during the three months ended June 30, 2019.

**(d) Initial financing and seed capital options**

The 10,066,668 Subordinated Voting Shares acquired by way of share purchase loans, whereby funds were advanced to Canopy Rivers by the Company on behalf of certain employees of the Company and another individual, were initially accounted for as seed capital options and are not considered issued for accounting purposes until the loans are repaid on an individual employee/consultant basis. During the three months ended June 30, 2019, share purchase loans in the amount of \$19 (three months ended June 30, 2018 – \$288) relating to Canopy Rivers shares held in trust by the Company on behalf of certain Canopy Growth employees were repaid, resulting in the release from escrow of 377,775 Subordinated Voting Shares (three months ended June 30, 2018 – 5,750,000). As at June 30, 2019, there were 3,461,117 seed capital options outstanding (March 31, 2019 – 3,838,892). Please refer to Note 18 for additional details on the seed capital options.

**18. SHARE-BASED COMPENSATION****CANOPY GROWTH CORPORATION SHARE-BASED COMPENSATION PLAN**

Canopy Growth's eligible employees participate in a share-based compensation plan as noted below.

On September 15, 2017, shareholders approved an Omnibus Incentive Plan (as amended and restated, the "Omnibus Plan") pursuant to which the Company can issue share-based long-term incentives. All directors, officers, employees and independent contractors of the Company are eligible to receive awards of common share purchase options ("Options"), restricted share units ("RSUs"), deferred share units, stock appreciation rights ("Stock Appreciation Rights"), performance awards ("Performance Awards") or other stock based awards (collectively, the "Awards") under the Omnibus Plan. In addition, shareholders also approved the 2017 Employee Stock Purchase Plan of the Company (the "Purchase Plan"). Under the Purchase Plan, the aggregate number of common shares that may be issued is 400,000, and the maximum number of common shares which may be issued in any one fiscal year shall not exceed 200,000.

Under the Omnibus Plan, the maximum number of shares issuable from treasury pursuant to Awards shall not exceed 15% of the total outstanding shares from time to time less the number of shares issuable pursuant to all other security-based compensation arrangements of the Company. The maximum number of common shares reserved for Awards is 50,957,757 at June 30, 2019. As of June 30, 2019, the only Awards issued have been options and RSUs under the Omnibus Plan.

The Omnibus Plan is administered by the Board of Directors of the Company who establishes exercise prices, at not less than the market price at the date of grant, and expiry dates. Options under the Omnibus Plan generally remain exercisable in increments with 1/3 being exercisable on each of the first, second and third anniversaries from the date of grant, with expiry dates set at six years from issuance. The Board of Directors has the discretion to amend general vesting provisions and the term of any award, subject to limits contained in the Omnibus Plan.

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The following is a summary of the changes in the Company's Omnibus Plan employee options during the three months ended June 30, 2019:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2019	32,831,895	\$ 34.10
Options granted	270,000	52.45
Options exercised	(1,713,592)	9.38
Options forfeited/cancelled	(690,067)	50.88
<b>Balance outstanding at June 30, 2019</b>	<b>30,698,236</b>	<b>\$ 35.26</b>

The following is a summary of the outstanding stock options as at June 30, 2019:

Range of Exercise Prices	Options Outstanding		Options Exercisable	
	Outstanding at June 30, 2019	Weighted Average Remaining Contractual Life (years)	Exercisable at June 30, 2019	Weighted Average Remaining Contractual Life (years)
\$1.32 - \$11.76	6,169,606	3.59	2,963,765	3.36
\$11.77 - \$35.00	4,323,849	4.58	915,918	4.59
\$35.01 - \$38.42	7,470,073	5.49	-	-
\$38.43 - \$43.12	6,635,491	5.14	1,013,890	4.86
\$43.13 - \$67.64	6,099,217	5.46	2,261	3.65
	<b>30,698,236</b>	<b>4.90</b>	<b>4,895,834</b>	<b>3.90</b>

At June 30, 2019, the weighted average exercise price of options outstanding and options exercisable was \$35.26 and \$17.70, respectively (March 31, 2019 - \$34.10 and \$13.99, respectively).

The Company recorded \$70,816 in share-based compensation expense related to options issued to employees for the three months ended June 30, 2019 (for the three months ended June 30, 2018 - \$13,546) and \$2,277 in share-based compensation expense related to options issued to contractors (for the three months ended June 30, 2018 - \$597). The compensation expense for the three months ended June 30, 2019 includes an amount related to 595,000 options being provided in exchange for services which are subject to performance conditions (for the three months ended June 30, 2018 - 420,000).

In determining the amount of share-based compensation related to options issued during the year, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the three months ended June 30, 2019 and 2018 on their measurement date by applying the following assumptions:

	June 30, 2019	June 30, 2018
Risk-free interest rate	1.41%	2.01%
Expected life of options (years)	3 - 5	3 - 5
Expected annualized volatility	73%	70%
Expected forfeiture rate	11%	12%
Expected dividend yield	nil	nil
Black-Scholes value of each option	\$ 28.58	\$ 21.55

Volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

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During the three months ended June 30, 2019, 1,713,592 Omnibus Plan options were exercised ranging in price from \$0.22 to \$40.68 for gross proceeds of \$16,077 (for the three months ended June 30, 2018 – 637,187 Omnibus Plan options were exercised ranging in price from \$1.72 to \$11.80 for gross proceeds of \$5,096).

During the three months ended June 30, 2019, the Company issued nil RSUs. As at June 30, 2019, the Company had 148,950 RSUs issued and outstanding, of which 17,300 were exercisable. For the three months ended June 30, 2019, the Company recorded \$1,394 in share-based compensation expense related to these RSUs (for the three months ended June 30, 2018 – \$2,247).

Share-based compensation expense related to acquisition milestones is comprised of:

	<b>Compensation expense</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Colombia	\$ 2,259	\$ -
Canindica	4,010	-
Other	4,012	7,095
	<b>\$ 10,281</b>	<b>\$ 7,095</b>

During the three months ended June 30, 2019, 482,321 shares (three months ended June 30, 2018 – 271,458) were released on completion of acquisition milestones. At June 30, 2019, there were up to 5,199,283 shares to be issued on the completion of acquisition and asset purchase milestones. In certain cases, the number of shares to be issued is based on the volume weighted average share price at the time the milestones are met. The number of shares has been estimated assuming the milestones were met at June 30, 2019. The number of shares excludes shares to be issued on July 4, 2023 to the previous shareholders of Spectrum Cannabis Colombia S.A.S. ("Spectrum Colombia") and Canindica Capital Ltd. ("Canindica") based on the fair market value of the Company's Latin American business on that date.

During the three months ended June 30, 2019, the Company recorded share-based payments of \$nil (three months ended June 30, 2018 - \$112) related to shares issued for payment of royalties and sales and marketing services.

**CANOPY RIVERS SHARE-BASED COMPENSATION PLAN**

**Seed Capital Options**

On May 12, 2017, seed capital options were issued. These seed capital options consist of 10,066,668 Subordinated Voting Shares acquired by way of share purchase loans. Since they were issued through loans, they are not considered issued for accounting purposes until the loans are repaid. The seed capital options were measured at fair value on May 12, 2017, using a Black-Scholes option pricing model and will be expensed over their vesting period. Where there are performance conditions in addition to service requirements Canopy Rivers has estimated the number of shares it expects to vest and is amortizing the expense over the expected vesting period.

	<b>Seed capital options issued</b>	<b>Seed capital loan balance</b>
Balance outstanding at March 31, 2019	3,838,892	\$ 192
Options exercised	(377,775)	(19)
<b>Balance outstanding at June 30, 2019</b>	<b>3,461,117</b>	<b>\$ 173</b>

Canopy Rivers has a stock option plan (the "Plan") under which non-transferable options to purchase Subordinated Voting Shares of the Company may be granted to directors, officers, employees, or independent contractors of the Company. Pursuant to the Plan, the maximum number of Subordinated Voting Shares issuable from treasury pursuant to outstanding options shall not exceed 10% of the issued and outstanding Subordinated Voting Shares. The Plan is administered by the Board who establishes exercise prices, at not less than the market price at the date of the grant, and expiry dates. Options under the Plan generally remain exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and have expiry dates five years from the date of grant. The Board has the discretion to

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amend general vesting provisions and the term of any option grant, subject to limits contained in the Plan. The seed capital options are not within the scope of the Plan.

The following is a summary of the changes in Canopy Rivers' stock options, excluding the seed capital options presented separately, during the three months ended June 30, 2019:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2019	12,522,255	\$ 1.98
Options granted	1,578,000	3.87
Options exercised	(111,665)	0.60
<b>Balance outstanding at June 30, 2019</b>	<b>13,988,590</b>	<b>\$ 2.20</b>

In determining the amount of share-based compensation related to options issued during the year, Canopy Rivers used the Black-Scholes option pricing model to establish the fair value of options granted during the three months ended June 30, 2019 and 2018 on their measurement date by applying the following assumptions:

	June 30, 2019	June 30, 2018
Risk-free interest rate	1.35%	1.34%
Expected life of options (years)	3 - 4	1 - 4
Expected annualized volatility	70%	69%
Expected forfeiture rate	nil	nil
Expected dividend yield	nil	nil
Black-Scholes value of each option	\$1.93	\$0.55 - 3.45

Volatility was estimated using companies that Canopy Rivers considers comparable that have trading and volatility history prior to Canopy Rivers becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

For the three months ended June 30, 2019, the Company recorded \$2,594 (three months ended June 30, 2018 - \$2,082) in share-based compensation expense related to these options and the seed capital options with a corresponding increase to noncontrolling interests.

**19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Accumulated other comprehensive income includes the following components:

	Foreign currency translation adjustments	Changes of own credit risk of financial liabilities	Accumulated other comprehensive income (loss)
Balance at March 31, 2019	\$ 41,225	\$ (47,130)	\$ (5,905)
Other comprehensive (loss) income	(60,744)	14,610	(46,134)
<b>Balance at June 30, 2019</b>	<b>\$ (19,519)</b>	<b>\$ (32,520)</b>	<b>\$ (52,039)</b>

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	Foreign currency translation adjustments	Changes of own credit risk of financial liabilities	Fair value of other financial assets	Accumulated other comprehensive income (loss)
<b>Balance at March 31, 2018</b>	\$ 608	\$ -	\$ 34,800	\$ 35,408
Cumulative effect from adoption of ASU2016-1	-	-	(34,800)	(34,800)
Other comprehensive (loss) income	(1,320)	(9,420)	-	(10,740)
<b>Balance at June 30, 2018</b>	\$ (712)	\$ (9,420)	\$ -	\$ (10,132)

**20. NONCONTROLLING INTERESTS**

The net change in the noncontrolling interests is as follows:

	Canopy Rivers	Vert Mirabel	Other non- material interests	Total
<b>As at March 31, 2019</b>	\$ 280,012	\$ 2,422	\$ 3,051	\$ 285,485
Comprehensive (loss) income	(12,431)	4,249	-	(8,182)
Net loss attributable to redeemable noncontrolling interest	-	(2,715)	-	(2,715)
Share-based compensation	2,594	-	-	2,594
Ownership changes	236	-	-	236
<b>As at June 30, 2019</b>	\$ 270,411	\$ 3,956	\$ 3,051	\$ 277,418

**21. FAIR VALUE OF FINANCIAL INSTRUMENTS**
**(a) Fair value of financial instrument assets and liabilities that are measured at fair value on a recurring basis**

The following table summarizes the valuation techniques and significant observable inputs in the fair value measurement of significant level 2 financial instruments:

Financial asset / financial liability	Valuation techniques	Key inputs
AusCann Group Holdings options	Black-Scholes option pricing model	Quoted prices in active market
Convertible senior note	Convertible note pricing model	Quoted prices in over-the-counter broker market

The following table summarizes the valuation techniques and significant unobservable inputs in the fair value measurement of significant level 3 financial instruments:

Financial asset / financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Acreage financial instrument	Monte Carlo option pricing model	Intrinsic value of Acreage Probability and timing of US legalization Differential growth rate of Acreage versus Canopy Growth	Increase or decrease in intrinsic value will result in an increase or decrease in fair value Increase or decrease in probability of US legalization will result in an increase or decrease in fair value Increase or decrease in differential growth rate will result in an increase or decrease in fair value

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<b>Financial asset / financial liability</b>	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Relationship of unobservable inputs to fair value</b>
TerrAscend exchangeable shares	Put option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
HydRx Farms shares	Market approach	Share price	Increase or decrease in share price will result in an increase or decrease in fair value
ZeaKal shares	Market approach	Share price	Increase or decrease in share price will result in an increase or decrease in fair value
Greenhouse convertible debenture	FinCAD model	Share price	Increase or decrease in share price will result in an increase or decrease in fair value
Good Leaf shares	Market approach	Share price	Increase or decrease in share price will result in an increase or decrease in fair value
Agripharm royalty interest and repayable debenture	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Future royalties	Increase in future royalties to be paid will result in an increase in fair value
SLANG Worldwide warrant	Black-Scholes option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Warrant derivative liability	Monte Carlo simulation model	Volatility of Canopy Growth share price	Increase or decrease in volatility will result in an increase or decrease in fair value
		Expected life	Increase or decrease in expected life will result in an increase or decrease in fair value
Vert Mirabel redeemable noncontrolling interest	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Future wholesale price and production levels	Increase in future wholesale price and production levels will result in an increase in fair value

During the three months ended June 30, 2019 and June 30, 2018, there were no transfers of amounts between levels.

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**22. REVENUE**

Revenues are disaggregated as follows:

	Three months ended	
	June 30, 2019	June 30, 2018
Recreational revenue		
Business to business	\$ 50,425	\$ -
Business to consumer	10,638	-
Medical revenue		
Canadian	13,051	21,364
International	10,496	3,370
Other revenue	18,781	1,182
Gross revenue	103,391	25,916
Excise taxes	12,909	-
Net revenue	\$ 90,482	\$ 25,916

Included in business to business recreational revenue for the three months ended June 30, 2019 are other revenue adjustments of \$8,000 (three months ended June 30, 2018 - \$nil), which represent the Company's estimate of variable consideration that may result from rights of return. Excise taxes are presented net of the impact from the other revenue adjustments.

**23. OTHER INCOME (EXPENSE), NET**

Other income (expense), net is disaggregated as follows:

		Three months ended	
	Notes	June 30, 2019	June 30, 2018
Fair value changes on other financial assets	9	\$ (41,087)	\$ (8,190)
Fair value changes on convertible senior notes	14	31,446	(2,820)
Fair value change related to warrant derivative liability	26	24,892	
Fair value changes on acquisition related contingent consideration		(1,570)	-
Interest income		22,718	1,006
Interest expense		(1,206)	(156)
Foreign currency loss		(2,856)	(2,253)
Debt issuance costs		-	(16,045)
Other income (expense), net		431	(2,711)
Total other income (expense), net		\$ 32,768	\$ (31,169)

**24. INCOME TAXES**

There have been no material changes to income tax matters in connection with normal course operations during the three months ended June 30, 2019.

The Company is subject to income tax in numerous jurisdictions with varying income tax rates. During the most recent period ended and the fiscal year to date, there were no material changes to the statutory income tax rates in the taxing jurisdictions where the majority of the Company's income for tax purposes was earned, or where its temporary differences or losses are expected to be realized or settled. Although statutory income tax rates remain stable, the Company's effective income tax rate may fluctuate, arising as a result of the Company's



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evolving footprint, discrete transactions and other factors that, to the extent material, are disclosed in these financial statements.

The Company continues to believe the amount of unrealized tax benefits appropriately reflects the uncertainty of items that are or may in the future be under discussion, audit, dispute or appeal with a tax authority or which otherwise result in uncertainty in the determination of income for tax purposes. If appropriate, an unrealized tax benefit will be realized in the reporting period in which the Company determines that realization is not in doubt. Where the final determined outcome is different from the Company's estimate, such difference will impact the Company's income taxes in the reporting period during which such determination is made.

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**25. ACQUISITIONS**

**Acquisitions completed in the three months ended June 30, 2019**

The following table summarizes the consolidated statements of financial position impact on the acquisition date of the Company's business combinations that occurred in the three months ended June 30, 2019:

	C <sup>3</sup>		This Works		Total
	(i)		(ii)		
Cash and cash equivalents	\$	2,818	\$	1,588	\$ 4,406
Other current assets		13,328		6,271	19,599
Property, plant and equipment		8,344		486	8,830
Intangible assets					
Brands		10,229		219	10,448
Software and domain names		8		-	8
Goodwill		330,130		70,677	400,807
Accounts payable and other accrued expenses and liabilities		(4,414)		(7,440)	(11,854)
Debt and other liabilities		(2,814)		-	(2,814)
<b>Net assets acquired</b>	<b>\$</b>	<b>357,629</b>	<b>\$</b>	<b>71,801</b>	<b>\$ 429,430</b>
Consideration paid in cash	\$	357,629	\$	71,801	\$ 429,430
Other consideration		-		-	-
<b>Total consideration</b>	<b>\$</b>	<b>357,629</b>	<b>\$</b>	<b>71,801</b>	<b>\$ 429,430</b>
Consideration paid in cash	\$	357,629	\$	71,801	\$ 429,430
Less: Cash and cash equivalents acquired		(2,818)		(1,588)	(4,406)
<b>Net cash outflow</b>	<b>\$</b>	<b>354,811</b>	<b>\$</b>	<b>70,213</b>	<b>\$ 425,024</b>

The table above summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for each acquisition. Goodwill arose in these acquisitions because the cost of acquisition included a control premium. In addition, the consideration paid for the combination reflected the benefit of expected revenue growth and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

**(i) C<sup>3</sup>**

On April 30, 2019, the Company acquired 100% of the shares of C<sup>3</sup> Cannabinoid Compound Company ("C<sup>3</sup>") for total cash consideration of \$357,629. C<sup>3</sup> is a European based biopharmaceutical company that develops, manufactures and commercializes natural and synthetic cannabinoid based active ingredients.

Due to the timing of this acquisition, the purchase price allocation for the C<sup>3</sup> acquisition is provisional. The fair value assigned to the consideration paid, intangible assets and net assets acquired is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received.

**(ii) This Works**

On May 21, 2019, the Company acquired 100% of the shares of TWP UK Holdings Limited ("This Works") and its subsidiary companies, This Works Products Limited, TWP USA Inc. and TWP IP Limited for total cash consideration of \$71,801 (GBP 42,144). Based in London, United Kingdom, This Works is a natural skincare and sleep solutions company.

Due to the timing of this acquisition, the purchase price allocation for the This Works acquisition is provisional. The fair value assigned to the consideration paid, intangible assets and net assets acquired is based on management's best estimate using the information currently available and may be revised by the Company as additional information is received.

**26. ACREAGE TRANSACTIONS****(a) Acreage Arrangement**

On June 27, 2019 (the "Effective date") Canopy Growth and Acreage Holdings, Inc. ("Acreage") completed a Plan of Arrangement (the "Arrangement"). Pursuant to the terms of the Arrangement, Acreage shareholders and holders of certain securities convertible into Acreage shares as of June 26, 2019, received an immediate aggregate total payment of US\$300 million (\$395,190) in exchange for granting Canopy Growth both the right and the obligation (the "Acreage financial instrument") to acquire 100% of the shares of Acreage, at such time as the occurrence or waiver of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana or to remove the regulation of such activities from the federal laws of the United States (the "Acreage Triggering Event"). If the Acreage Triggering Event is not satisfied or waived by December 27, 2026, the Arrangement will terminate.

Following the occurrence, or waiver by Canopy Growth, of the Acreage Triggering Event and the satisfaction or waiver of certain customary closing conditions to the completion of the acquisition, Canopy Growth will issue to the shareholders of Acreage 0.5818 of a common share of Canopy Growth (the "Acreage exchange ratio") for each issued and outstanding subordinate voting share of Acreage held (following the automatic conversion of other classes of Acreage shares into subordinate voting shares in accordance with the Arrangement). In the event Acreage issues more than 188,235,587 subordinate voting shares on a fully diluted basis, and Canopy Growth has not provided written approval for the issuance of such additional securities, the Acreage exchange ratio shall be the fraction, calculated to six decimal places, determined by the formula of  $A \times B/C$  where:

- "A" equals 0.5818,
- "B" equals 188,235,587, and
- "C" equals the aggregate number of subordinate voting shares of Acreage on a fully diluted basis at the time of acquisition.

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On the Effective Date Canopy Growth also granted Acreage a non-exclusive, non-transferable, royalty-free license and right to use the intellectual property, systems and trademarks in the United States for a period of 90 months. Management has estimated the fair value of this license to be nominal.

On initial recognition, the Acreage financial instrument represented a financial asset and has been recorded at its fair value of \$395,190, as the estimated fair value of the Acreage business is greater than the estimated fair value of the consideration to be provided upon required exercise of the Acreage financial instrument. Any subsequent changes in fair value will be recognized in net income (loss). The fair value determination includes a high degree of subjectivity and judgement, which results in significant estimation uncertainty. See Note 21 for additional details on how the fair value of the Acreage financial instrument is calculated on a recurring basis. From a measurement perspective, Canopy Growth has elected the fair value option under ASC 825 – *Financial Instruments*.

**(b) Amendment to the Constellation Investor Rights Agreement and warrants**

On November 1, 2018 Canopy Growth issued 104,500,000 common shares from treasury and two tranches of warrants to a subsidiary of Constellation Brands, Inc. (“Constellation”) in exchange for proceeds of \$5,072,500 and entered into an Amended and Restated Investor Rights Agreement. The first tranche warrants (“Tranche A Warrants”) allowed Constellation to acquire 88.5 million additional shares of Canopy Growth for a fixed price of \$50.40 per share. The second tranche warrants (“Final Warrants”) allowed for the purchase of 51.3 million additional shares at a price equal to the 5-day volume-weighted average price immediately prior to exercise. The Final Warrants could only be exercised if the Tranche A Warrants had been exercised in full. Both the Tranche A Warrants and the Final Warrants expire on November 1, 2021. Canopy Growth accounted for the Tranche A Warrants as equity instruments with a relative fair value of \$1,505,351 and the Final Warrants as equity instruments with a nominal value.

On June 27, 2019 Constellation and Canopy Growth entered into the Second Amended and Restated Investor Rights Agreement and Consent Agreement. In contemplation of these agreements, Canopy Growth also amended the terms of the Tranche A Warrants and Final Warrants as follows:

- Extended the term of the Tranche A Warrants to November 1, 2023 and the term of the Final Warrants to November 1, 2026.
- The Final Warrants were also replaced by two tranches of warrants (the “Tranche B Warrants” and “Tranche C Warrants”) with different terms:
  - Tranche B Warrants allow Constellation to acquire 38.5 million shares of Canopy Growth for a fixed price of \$76.68 per share.
  - Tranche C Warrants allow Constellation to acquire 12.8 million shares of Canopy Growth at a price equal to the 5-day volume-weighted average price immediately prior to exercise.
- In connection with the Tranche B Warrants and the Tranche C Warrants, Canopy Growth will provide Constellation with a share repurchase credit of up to \$1.583 billion on the aggregate exercise price of the Tranche B Warrants and Tranche C Warrants in the event that Canopy Growth does not repurchase the lesser of (i) 27,378,866 common shares, and (ii) common shares with a value of \$1.583 billion, during the period commencing on June 27, 2019 and ending on the date that is 24 months after the date that Constellation exercises all of the Tranche A Warrants.

The modifications to the Tranche A Warrants resulted in them meeting the definition of a derivative instrument under ASC 815 – *Derivatives and Hedging*. They continue to be classified in equity as the number of shares and the exercise price were both fixed at inception. The extension of the term of the Tranche A Warrants resulted in additional value being attributed to those warrants. On June 27, 2019 the fair value of the Tranche A Warrants was estimated to be \$2,554,503 using a Monte Carlo model and assuming a volatility of 66.7%. The Company recorded a deemed dividend of \$1,049,153 in deficit related to the difference between the original and modified Tranche A warrants.

The Tranche B Warrants failed the fixed-for-fixed criterion and, as a result, the Tranche B Warrants are classified as derivative instruments measured at fair value in accordance with ASC 815. On June 27, 2019 the fair value of the Tranche B Warrants was estimated to be \$1,176,640 using a Monte Carlo model and assuming a volatility of 66.7%. The value of the Tranche B warrants was recorded directly in deficit as a deemed dividend. Any subsequent changes in fair value will be recorded in net income (loss). As at June 30, 2019, the fair value of the warrant derivative liability is \$1,092,748, and a gain of \$24,892 has been recorded during the three months ended June 30, 2019 in other income (expense), net. The fair value determination includes a high degree of

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subjectivity and judgement, which results in significant estimation uncertainty. See Note 21 for additional details on how the fair value of the warrant derivative liability is calculated on a recurring basis.

The Tranche C Warrants are also accounted for as derivative liabilities. Therefore, 12.8 million of the Final Warrants were derecognized and 12.8 million Tranche C Warrants were recognized as new derivative liabilities. The fair values of the Final Warrants and Tranche C Warrants both approximate \$nil therefore there was no impact to shareholders' equity. Any subsequent changes in fair value will be recorded in net income (loss).

The share repurchase credit feature is a derivative liability as Canopy Growth has an obligation to repurchase a variable number of its common shares in order to settle the liability in the future within the share repurchase period or has the option to settle the liability in cash. The fair value of this liability is nominal. The initial value of the derivative liability is a deemed dividend recorded directly in shareholders' deficit. Any subsequent changes in fair value will be recorded in net income (loss).

**27. LEASES**

The Company primarily leases office and production facilities, warehouses, production equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if we have the right to control the use of the identified asset.

The right-of-use asset is initially measured at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs and lease payments at or before the lease commencement date, less any lease incentives received, and is amortized on a straight-line basis over the remaining lease term. All right-of-use assets are reviewed periodically for impairment. The lease liability is initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. We elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and not to recognize these short-term leases on the balance sheet. Leases have varying terms with remaining lease terms of up to approximately 30 years. Certain of our lease arrangements provide us with the option to extend or to terminate the lease early.

Lease payments included in the measurement of the lease liability comprise (a) fixed payments, including in-substance fixed payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and (d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

At inception or reassessment of a contract that contains lease and non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

**Balance Sheet location**

A summary of lease right-of-use assets and liabilities are as follows:

**Assets**

Property, plant and equipment

Operating lease	\$	80,047
Finance lease		27,871
	<b>\$</b>	<b>107,918</b>

**Liabilities**

Current:

Operating lease	\$	11,947
Finance lease		24,079

Non-current:

Operating lease		78,409
Finance lease		4,210
	<b>\$</b>	<b>118,645</b>

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**Lease expense**

The components of total lease expense are as follows:

Operating lease expense	\$	1,982
Finance lease expense:		
Amortization of right-of-use assets		374
Interest on lease liabilities		318
	\$	<b>2,674</b>

**Lease maturities**

As of June 30, 2019, the minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

	Operating Leases	Finance Leases
2021	\$ 14,968	\$ 25,031
2022	14,641	310
2023	12,923	310
2024	12,259	318
2025	10,338	325
Thereafter	45,325	4,699
Total lease payments	110,454	30,993
Less: Interest	20,098	2,704
Total lease liabilities	<b>\$ 90,356</b>	<b>\$ 28,289</b>

As of June 30, 2019, we have additional operating leases that have not yet commenced with immaterial aggregated minimum payments on an undiscounted basis.

As of June 30, 2019, future lease expense for operating leases is expected to be as follows:

2021	\$	14,323
2022		13,407
2023		11,324
2024		10,280
2025		8,296
Thereafter		22,417
	\$	<b>80,047</b>

**Supplemental information**

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	1,982
Operating cash flows from finance leases		318
Financing cash flows from finance leases		377

Right-of-use assets obtained in exchange for new lease liabilities:

Operating leases	\$	9,024
Finance leases		-

Weighted average remaining lease term (in years):

Operating leases	7
Finance leases	3

Weighted average discount rate:

Operating leases	4.50%
Finance leases	4.50%

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## 28. SEGMENTED INFORMATION

## (a) Reportable segments

The Company operates in two segments: 1) Cannabis, Hemp and Other Consumer Products, which encompasses the production, distribution and sale of a diverse range of cannabis, hemp-based, and other consumer products in Canada and internationally pursuant to applicable international and domestic legislation, regulations and permits; and 2) Canopy Rivers, a publicly-traded company in Canada, through which Canopy Growth provides growth capital and strategic support in the global cannabis sector, where federally lawful. Financial information for Canopy Rivers is included in the table below, and in Note 20.

	June 30, 2019	March 31, 2019
Ownership interest	28%	28%
Cash and cash equivalents	\$ 88,750	\$ 104,145
Prepaid expenses and other current assets	4,363	15,490
Investments in associates	81,376	64,606
Other financial assets	171,643	181,572
Other long-term assets	20,148	17,696
Deferred tax liability	(4,648)	(6,641)
Other liabilities	(2,705)	(3,458)
Non-controlling interests	(270,411)	(280,012)
Equity attributable to Canopy Growth	\$ 88,516	\$ 93,398

## (b) Entity-wide disclosures

All property, plant and equipment and intangible assets are located in Canada, except for \$441,662 which is located outside of Canada at June 30, 2019 (March 31, 2019 – \$350,125).

All revenues were generated in Canada during the three months ended June 30, 2019, except for \$22,541 related to medical cannabis and cannabis related devices and merchandise generated outside of Canada (three months ended June 30, 2018 - \$3,375).

For the three months ended June 30, 2019, one customer represented more than 10% of the Company's net revenue (three months ended June 30, 2018 – none).

## 29. SUBSEQUENT EVENTS

These financial statements should be read in conjunction with the audited consolidated financial statements in the Company's annual report on Form 10-K for the year ended March 31, 2020, which contain disclosures relating to subsequent events.

On June 25, 2020 the Company announced that it had entered into a proposal agreement (the "Proposal Agreement") with Acreage to amend the terms of the arrangement (the "Existing Arrangement") made pursuant to an arrangement agreement between the Company and Acreage dated April 18, 2019, as amended on May 15, 2019 (the "Arrangement Agreement"). Pursuant to the terms of the Proposal Agreement, the Existing Arrangement will be amended (the "Amended Arrangement") to provide for, among other things, the following:

- The creation of two new classes of shares in the capital of Acreage with each existing Acreage subordinated voting share (each, an "Existing Share") being converted into 0.7 of a Fixed Share (as defined below) and 0.3 of a Floating Share (as defined below), with proportionate adjustments for the existing proportionate voting shares and existing multiple voting shares;
- The new subordinated voting shares (the "Fixed Shares") will have the same attributes as the Existing Shares and will continue to be listed on the Canadian Securities Exchange (the "CSE"). The Fixed Shares will be subject to the terms of the existing call option in favour of Canopy Growth at an amended

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exchange ratio equal to 0.3048 of a common share of Canopy Growth to be received for each Fixed Share held (reduced from 0.5818 per Existing Share pursuant to the Existing Arrangement);

- The new floating shares (the "Floating Shares"), which Acreage will apply to have listed on the CSE, will be subject to the terms of a new call right in favour of Canopy Growth, exercisable following the occurrence or waiver of the Triggering Event at a price equal to the 30-day volume weighted average trading price of the Floating Shares on the CSE, subject to a minimum call price of US\$6.41 per Floating Share, payable in either cash or Canopy Growth common shares at Canopy Growth's option;
- Upon implementation of the Amended Arrangement, a cash payment to Acreage shareholders and certain convertible security holders in the aggregate amount of US\$37,500; and
- An aggregate of up to 32,700,000 Fixed Shares and Floating Shares that Acreage is permitted to issue following the implementation of the Amended Arrangement.

Following the occurrence or waiver (at the discretion of the Company) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Arrangement Agreement (as modified in connection with the Amended Arrangement), Canopy Growth will acquire all of the issued and outstanding Fixed Shares. At the time of the occurrence or waiver of the Triggering Event, Canopy Growth will also have the right, but not the obligation, to acquire all of the issued and outstanding Floating Shares. If the occurrence or waiver of the Triggering Event does not occur within 10 years from the date the Amended Arrangement is implemented, Canopy Growth's rights to acquire both the Fixed Shares and the Floating Shares will terminate.

In connection with the Amended Agreement, Canopy Growth has agreed to loan a wholly-owned subsidiary of Acreage ("Acreage Hempco") up to US\$100,000 pursuant to a secured debenture, of which US\$50,000 will be advanced upon the implementation of the Amended Arrangement, and the remaining US\$50,000 will be subject to the satisfaction of certain conditions by Acreage Hempco. The secured debenture will bear interest at a rate of 6.1% per annum, and mature 10 years from the date the Amended Arrangement is implemented or such earlier date in accordance with the terms of the secured debenture.

Implementation of the Amended Arrangement is contingent upon obtaining the requisite prior approvals of the Acreage Shareholders, the Supreme Court of British Columbia and the CSE, and certain other closing conditions.