CANOPY GROWTH CORPORATION

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

FOR THE YEAR ENDED MARCH 31, 2021

JUNE 1, 2021

This document (this “MD&A”) contains information under the heading “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” which has been excerpted from our Annual Report on Form 10-K for the year ended March 31, 2021 (the “Annual Report”) filed concurrently with this MD&A on the date hereof on our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. This MD&A should be read in conjunction with our Annual Report, including the consolidated financial statements and the related notes thereto included in Item 8, as well as Part I, and Item 1 “Business”, Part I, Item 1A “Risk Factors”, and incorporates by reference herein Item 1A “Risk Factors” from our Annual Report. Defined terms used herein but otherwise not defined have the meaning ascribed to them in the Annual Report.

Special Note Regarding Forward-Looking Statements

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

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

- the uncertainties associated with the COVID-19 pandemic, including our ability, and the ability of our suppliers and distributors, to effectively manage the restrictions, limitations and health issues presented by the COVID-19 pandemic, the ability to continue our production, distribution and sale of our products and the demand for and use of our products by consumers, disruptions to the global and local economies due to related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. hemp (including CBD) products and the scope of any regulations by the U.S. Food and Drug Administration (the “FDA”), the U.S. Drug Enforcement Administration (the “DEA”), the U.S. Federal Trade Commission (the “FTC”), the U.S. Patent and Trademark Office (the “USPTO”), the U.S. Department of Agriculture (the “USDA”) and any state equivalent regulatory agencies over U.S. hemp (including CBD) products;
- expectations regarding the laws and regulations and any amendments thereto relating to the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the USDA and relevant state regulatory authorities;
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, joint ventures, strategic alliances, equity investments and dispositions;
- the Acreage Amended Arrangement (as defined below), including the occurrence or waiver (at our discretion) of the Triggering Event (as defined below) and the satisfaction or waiver of the conditions to closing the acquisition of Acreage (as defined below);
- the Supreme Arrangement (as defined below), including the timing of closing of the Supreme Arrangement and the satisfaction or waiver of the conditions to closing the Supreme Arrangement;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale cannabis-based products and U.S. hemp-derived consumer products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- the anticipated benefits and impact of the CBI Group Investments (as defined below) by Constellation Brands, Inc. (“CBI”) and its affiliates (together, the “CBI Group”);
- the potential exercise of the CBG Warrants (as defined below) held by the CBI Group, pre-emptive rights and/or top-up rights in connection with the CBI Group Investments, including proceeds to us that may result therefrom or the potential conversion of Canopy Notes (as defined below) held by the CBI Group in connection with the CBI Group Investments;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the CBI Group Investments;
- the legalization of the use of cannabis for medical or recreational in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- the ongoing impact of the legalization of additional cannabis product types and forms for recreational use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;

- the ongoing impact of developing provincial, territorial and municipal regulations pertaining to the sale and distribution of cannabis, the related timing and impact thereof, as well as the restrictions on federally regulated cannabis producers participating in certain retail markets and our intentions to participate in such markets to the extent permissible;
- the timing and nature of legislative changes in the U.S. regarding the regulation of cannabis including tetrahydrocannabinol ("THC");
- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- our ability or plans to identify, develop, commercialize or expand our technology and research and development ("R&D") initiatives in cannabinoids, or the success thereof;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- our ability to refinance debt as and when required on terms favorable to us and comply with covenants contained in our debt facilities and debt instruments;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the expected growth in our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- our future product offerings;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network;
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements; and
- expectations on price changes in cannabis markets.

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

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

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

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

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

Introduction

This Management's Discussion and Analysis ("MD&A"), which should be read in conjunction with our consolidated financial statements and the notes thereto as at and for the year ended March 31, 2021 included in Item 8 of this Annual Report (the "Financial Statements"), provides additional information on our business, current developments, financial condition, cash flows and results of operations. It is organized as follows:

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

- *Part 2 - Results of Operations.* This section provides an analysis of our results of operations for (1) fiscal 2021 in comparison to fiscal 2020; and (2) fiscal 2020 in comparison to fiscal 2019.

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

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

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

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

Part 1 - Business Overview

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

On October 17, 2018, the *Cannabis Act* came into effect in Canada, regulating both the medical and recreational cannabis markets in Canada and providing provincial, territorial and municipal governments the authority to prescribe regulations regarding the distribution and sale of recreational cannabis. On October 17, 2019, the second phase of recreational cannabis products, specifically Cannabis 2.0, was legalized pursuant to certain amendments to the regulations under the *Cannabis Act*. We currently offer product varieties in dried flower, oil, softgels, vape pen power sources, pod-based vape devices, vape cartridges, cannabis-infused beverages and cannabis-infused edibles, with product availability varying based on provincial and territorial regulations. Our recreational cannabis products are predominantly sold to provincial and territorial agencies under a "business-to-business" wholesale model, with those provincial and territorial agencies then being responsible for the distribution of our products to brick-and-mortar stores and for online retail sales. We also operate a network of Tweed and Tokyo Smoke retail stores across Canada, where permissible, to promote brand awareness and drive consumer demand under a "business-to-consumer" model.

Our Spectrum Therapeutics medical division is a global leader in medical cannabis. Spectrum Therapeutics produces and distributes a diverse portfolio of medical cannabis products to healthcare practitioners and medical customers in Canada, and in several other countries where it is federally permissible to do so. In April 2019, we acquired C^3 Cannabinoid Compound Company ("C^3"), Europe's largest cannabinoid-based pharmaceuticals company and a leading manufacturer of dronabinol, a registered active pharmaceutical ingredient in Germany and certain other European countries. The addition of dronabinol has allowed us to expand our portfolio of medical cannabis offerings for our customers in Germany.

Subsequent to the passage of the 2018 Farm Bill in December 2018, we began building our hemp supply chain in the United States through our investment in processing, extraction and finished goods manufacturing facilities. In September 2020, our Martha Stewart CBD line of premium quality, hemp-derived wellness gummies, oils and softgels was launched in the United States. In the fourth quarter of fiscal 2021, we expanded our product offering to include CBD products for pets under the Martha Stewart CBD for Pet line and SurityPro, and a line of premium, ready-to-drink CBD-infused sparkling waters under the Quatreau brand.

In June 2019, we implemented the Original Acreage Arrangement pursuant to the Acreage Arrangement Agreement with Acreage, a U.S. multi-state cannabis operator. In September 2020, following receipt of all required approvals, we entered into the Acreage Amending Agreement and implemented the Acreage Amended Arrangement. Pursuant to the Acreage Amended Arrangement, following the occurrence or waiver (at our discretion) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement), we (i) agreed to acquire approximately 70% of the issued and outstanding shares of Acreage, and (ii) obtained the right to acquire the other approximately 30% of the issued and outstanding shares of Acreage. The acquisition of Acreage, if completed, will provide a pathway into cannabis markets in the United States; however, we and Acreage will continue to operate as independent companies until the acquisition of Acreage is completed.

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

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

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

Segment Reporting

Prior to the fourth quarter of fiscal 2021, we had the following two operating segments, which were also our reportable segments: (i) cannabis, hemp and other consumer products; and (ii) RIV Capital. Following the completion of the RIV Arrangement in February 2021 and the completion of restructuring actions in the third and fourth quarters of fiscal 2021 associated with the end-to-end strategic review of our operations (see “Recent Developments” below), we have changed the structure of our internal management financial reporting. Accordingly, in the fourth quarter of fiscal 2021 we are reporting our financial results for the following two operating segments, which are also our reportable segments: (i) global cannabis; and (ii) other consumer products. These segments reflect how our operations are managed, how our Chief Executive Officer, who is the chief operating decision maker (“CODM”), allocates resources and evaluates performance, and how our internal management financial reporting is structured.

Our global cannabis segment encompasses the production, distribution and sale of a diverse range of cannabis and cannabinoid-based consumer products in Canada and internationally pursuant to applicable international and domestic legislation, regulations and permits. Our other consumer products segment comprises the production, distribution and sale of consumer products by Storz & Bickel, This Works, and BioSteel, and other strategic revenue sources. Our CODM evaluates the performance of these two segments focusing on (i) segment net revenue, and (ii) segment gross margin and gross margin percentage as the measure of segment profit or loss. Accordingly, information regarding segment net revenue and segment gross margin and gross margin percentage for the comparative periods has been restated to reflect the aforementioned change in reportable segments.

Update on COVID-19

Management has continued to closely monitor the impact of the COVID-19 global pandemic, with a focus on the health and safety of our employees, business continuity and supporting its communities. We established a COVID-19 Management Committee shortly after the declaration of COVID-19 as a global pandemic and implemented various measures to reduce the spread of the virus. We have continued to operate under preventative measures and have experienced minimal disruption to our production and supply chain. As of the date of this Annual Report, all 34 of our corporate-owned retail stores are open and offering click-and-collect and/or in-store shopping. Our Canadian medical business, which operates as an e-commerce channel, has continued largely unchanged. Our international medical business operates primarily as a pharmacy model, with pharmacies being deemed essential businesses in

Germany and other European countries in which we conduct business. In addition, since our non-production workforce continues to effectively work remotely using various technology tools, we are able to maintain our full operations and internal controls over financial reporting and disclosures.

While the impacts of the COVID-19 pandemic, including government measures to limit the spread of COVID-19, adversely affected our operations in fiscal 2021, the impact was not material to our results of operations. However, given the uncertainties associated with the COVID-19 pandemic, including those related to the use of our products by consumers, disruptions to the global and local economies due to related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending, we are unable to estimate the future impact of the COVID-19 pandemic on our business, financial condition, results of operations, and/or cash flows. The uncertain nature of the impacts of the COVID-19 pandemic may continue to affect our results of operations into fiscal 2022.

We believe we have sufficient liquidity available from cash and cash equivalents and short-term investments on hand of $1.2 billion and $1.1 billion, respectively, as of March 31, 2021, and from available capacity under our revolving debt facility to enable us to meet our working capital and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities, and repay scheduled principal and interest payments on debt. Refer to "Part 3 – Financial Liquidity and Capital Resources" for further information.

Recent Developments

Plan of Arrangement with RIV Capital

On December 21, 2020, we entered into an arrangement agreement (the "RIV Arrangement Agreement") with our wholly-owned subsidiary The Tweed Tree Lot Inc. ("Tweed NB"), RIV Capital and its wholly-owned subsidiary RCC, pursuant to which we acquired certain assets from RCC, as set out below, in exchange for cash, Canopy Growth common shares and the surrender of all shares in the capital of RIV Capital held by us by way of a plan of arrangement under the *Business Corporations Act* (Ontario) (the "RIV Arrangement"). The RIV Arrangement was completed on February 23, 2021.

Pursuant to the RIV Arrangement, we increased our conditional ownership interest in TerrAscend Corp. ("TerrAscend") through the acquisition of (i) 19,445,285 TerrAscend Exchangeable Shares held by RCC; (ii) 2,225,714 common share purchase warrants in the capital of TerrAscend with an exercise price of $5.95 per share held by RCC; (iii) 333,723 common share purchase warrants in the capital of TerrAscend with an exercise price of $6.49 per share held by RCC; and (iv) a loan receivable owing by TerrAscend Canada Inc. ("TerrAscend Canada") to RCC. The securities in the capital of TerrAscend held by us are not currently convertible or exercisable and will not be convertible or exercisable until federal laws in the United States with respect to marijuana are amended. Pursuant to the RIV Arrangement, we also acquired (i) all of the Class A preferred shares in the capital of Les Serres Vert Cannabis Inc. ("Vert Mirabel") held by RCC; and (vi) 143 common shares in the capital of Vert Mirabel, thereby increasing our ownership of the issued and outstanding common shares in the capital of Vert Mirabel to approximately 55%. In addition, all of the obligations of Tweed NB owing to RCC pursuant to a royalty agreement between the parties were terminated.

In addition, all of the shares of RIV Capital held by us were repurchased for cancellation on a cashless basis. We no longer have any equity, debt or other interest in RIV Capital following completion of the RIV Arrangement, and no longer have any representation on the RIV Capital board of directors. As additional consideration for the assets transferred and the termination of the royalty agreement with Tweed NB, we made a cash payment to RCC of approximately $115.0 million and issued 3,647,902 Canopy Growth common shares to RCC. Accordingly, we no longer control RIV Capital, and we derecognized the consolidated assets and liabilities of RIV Capital from our consolidated financial statements.

TerrAscend Option Agreement

On January 13, 2021, we entered into the TerrAscend Option to acquire 1,072,450 common shares of TerrAscend for approximately US$10.5 million, conditional upon the occurrence or waiver of the Triggering Event.

As of the date of this Annual Report, Canopy Growth owns 38,890,570 TerrAscend Exchangeable Shares, an aggregate of 22,474,130 TerrAscend common share purchase warrants and we are deemed to own an aggregate of 1,072,450 TerrAscend common shares that are subject to the TerrAscend Option, representing 100% of the issued and outstanding TerrAscend Exchangeable Shares on a non-diluted basis and approximately 25% of the issued and outstanding TerrAscend common shares on a partially-diluted basis, assuming the conversion of the TerrAscend Exchangeable Shares into TerrAscend common shares and the exercise of the TerrAscend warrants and the TerrAscend Option held by Canopy Growth. Canopy Growth beneficially owns, and exercises control or direction over approximately 20% of the issued and outstanding TerrAscend common shares on a fully-diluted basis.

Credit Facility

On March 18, 2021, the Borrowers entered into the Credit Agreement with the Lenders and Wilmington Trust, National Association, as administrative agent and collateral agent for the Lenders. The Credit Agreement provides for the Credit Facility in the aggregate principal amount of US$750.0 million. We also have the ability to obtain up to an additional US$500.0 million of incremental senior secured debt pursuant to the Credit Agreement. The Credit Facility has no amortization payments, matures on March 18, 2026, has a coupon of LIBOR plus 8.50% and is subject to a LIBOR floor of 1.00%. Our obligations under the Credit Facility are guaranteed by material Canadian and U.S. subsidiaries of Canopy Growth. The Credit Facility is secured by substantially all of the assets, including material real property, of the Borrowers and each of the guarantors. The Credit Agreement contains representations and warranties, and affirmative and negative covenants, including a financial covenant requiring minimum liquidity of US$200.0 million at the end of each fiscal quarter. The proceeds of the Credit Facility, net of fees and expenses, will be used by us for working capital and general corporate purposes, including without limitation, growth investments, acquisitions, capital expenditures, and strategic initiatives.

Acquisition of Ace Valley

On April 1, 2021, we entered into a share purchase agreement (the “AV Share Purchase Agreement”) with Tweed Inc., AV Cannabis Inc. (“Ace Valley”), an Ontario-based cannabis brand with a focus on premium, ready-to-enjoy products including vapes, pre-roll joints and gummies, and the shareholders of Ace Valley (the “AV Vendors”) pursuant to which we indirectly acquired all of the issued and outstanding shares of Ace Valley. Pursuant to the terms of the AV Share Purchase Agreement, we may be required to make certain earn-out payments to the AV Vendors, which may result in an additional cash payment or the issuance of Canopy Growth common shares, subject to the fulfillment of certain conditions by April 1, 2023.

Acquisition of Supreme Cannabis

On April 7, 2021, we entered into the Supreme Arrangement Agreement with Supreme Cannabis, pursuant to which we have agreed to acquire the Supreme Cannabis Shares in accordance with the Supreme Arrangement. Supreme Cannabis is a producer of recreational, wholesale and medical cannabis products, with a global diversified portfolio of distinct cannabis companies, products and brands. Pursuant to the terms of the Supreme Arrangement Agreement, shareholders of Supreme Cannabis will be entitled to receive 0.01165872 of a Canopy Growth Share and C$0.0001 in cash for each Supreme Cannabis Share held immediately prior to closing of the Supreme Arrangement.

The Supreme Arrangement is subject to the conditions set out in the Supreme Arrangement Agreement, including, among others: (i) approval by the Ontario Superior Court of Justice at a hearing upon the procedural and substantive fairness of the terms and conditions of the Supreme Arrangement; (ii) approval under the *Competition Act* (Canada); and (iii) approval of at least two-thirds of the votes cast by the shareholders of Supreme Cannabis voting at a special meeting of shareholders, with such meeting scheduled to be held on June 10, 2021.

Factors Impacting our Business

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

Competition in Canadian recreational market. We face competition in the Canadian recreational cannabis market. The principal factors on which we compete with other Canadian license holders are the quality and variety of cannabis products, the speed with which our product offerings are brought to market, brand recognition, pricing, and product innovation. We believe our focus on becoming a leading consumer insights, analytics and product development company that matches products and consumer preferences in the cannabis market, will enable us to provide better quality consumer products, grow our Canadian business and capture increased market share in Canada.

Product innovation. We believe a significant opportunity exists to expand our total addressable market and create new consumer categories by continuing to develop innovative new recreational products that include cannabis and cannabinoids as ingredients. Accordingly, we have been focused on expanding our cannabis-infused craft chocolates, vaping products, and cannabis-infused beverage offerings in Canada since the initial launch of such products in the fourth quarter of fiscal 2020. In the United States, we launched our Martha Stewart CBD line of premium quality, hemp-derived wellness gummies, oils and softgels in September 2020, and we further expanded our product offering to include CBD products for pets under the Martha Stewart CBD for Pet line and SurityPro in the fourth quarter of fiscal 2021. We believe our success will depend on market acceptance of these products, our ability to execute on introducing our products to market, our ability to position our differentiated products as premium offerings in order to capture a higher relative gross margin, and our ability to continually develop and introduce new products that delight our consumers.

Commercialization activities in the United States. As highlighted above, we initially launched our Martha Stewart CBD line of products in September 2020 and launched our first line of CBD-infused beverages, under the Quatreau brand, in the United States market in the fourth quarter of fiscal 2021. Additionally, we have continued to bring new products to market in the United States under the This Works and BioSteel brands, some of which have been infused or blended with hemp-derived CBD isolate. In April 2021, we announced that Southern Glazer's Wine & Spirits ("Southern Glazer's"), a leading beverage alcohol distributor in the U.S., will distribute our portfolio of U.S. CBD-infused beverages. Southern Glazer's will commence distributing our CBD-infused beverages across seven U.S. states, beginning with our Quatreau beverages, with additional states to be added in the coming months. We believe our success will depend on our ability to distribute our CBD-based products in the U.S. and bring them to market through best-in-class sales execution on our e-commerce platform and into retail points of sale, our ability to position, market and differentiate our products in the highly-fragmented U.S. CBD market, and our ability to continually develop and introduce new products.

Increasing access to medical cannabis products in Canada and select European markets. Our success will depend on our ability to leverage our position as a trusted leader in the medical cannabis markets in Canada and select European countries, including Germany, by offering a wide range of cannabis products across a variety of brands, formats and strains that serve the needs of our customers. In Canada we have continued to broaden our brand and product portfolio throughout fiscal 2021. We have also introduced new medical cannabis delivery devices to our medical customers, including the Storz & Bickel Volcano Medic 2 vaporizer that was issued a license by Health Canada for medical use. In Europe, we are focused on providing a diverse portfolio of medically-validated cannabis products and education and support programs to medical customers and healthcare practitioners, with our primary focus being Germany. The addition of the active pharmaceutical ingredient dronabinol to our portfolio following our acquisition of C^3 in April 2019 has allowed us to expand our portfolio of medical cannabis offerings for our customers. Expansion may come in the form of acquisitions or organic growth, either of which will require expenditure of capital that may negatively impact our profitability as we seek to scale the reach of our business in these markets.

Part 2 - Results of Operations

Discussion of Fiscal 2021 Results of Operations

The following table presents selected consolidated financial information for the years ended March 31, 2021 and 2020:

(in thousands of Canadian dollars, except share amounts and where otherwise indicated)	Years ended March 31, 2021	Years ended March 31, 2020	$ Change	% Change
Selected consolidated financial information:				
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%
Gross margin percentage	12%	(8%)	-	2,000 bps
Net loss	$ (1,670,820)	$ (1,387,440)	$ (283,380)	(20%)
Net loss attributable to Canopy Growth Corporation	$ (1,744,920)	$ (1,321,326)	$ (423,594)	(32%)
Loss per share - basic and diluted[1]	$ (4.69)	$ (3.80)	$ (0.89)	(23%)

[1]For the year ended March 31, 2021, the weighted average number of outstanding common shares, basic and diluted, totaled 371,662,296 (year ended March 31, 2020 - 348,038,163).

Net Revenue

We report net revenue in two segments: (i) global cannabis; and (ii) other consumer products. The following tables present segmented net revenue, by channel and by form, for the years ended March 31, 2021 and 2020:

Revenue by Channel *(in thousands of Canadian dollars)*	Years ended March 31, 2021	Years ended March 31, 2020	$ Change	% Change
Canadian recreational cannabis net revenue				
Business-to-business[1]	$ 163,585	$ 121,605	$ 41,980	35%
Business-to-consumer	66,016	52,044	13,972	27%
	229,601	173,649	55,952	32%
Canadian medical cannabis net revenue[2]	55,448	51,647	3,801	7%
	285,049	225,296	59,753	27%
International and other revenue				
C[3]	62,335	53,770	8,565	16%
Other	31,296	15,869	15,427	97%
	93,631	69,639	23,992	34%
Global cannabis net revenue	378,680	294,935	83,745	28%
Other consumer products				
Storz & Bickel	80,998	48,329	32,669	68%
This Works	33,314	24,725	8,589	35%
Other	53,657	30,783	22,874	74%
Other consumer products revenue	167,969	103,837	64,132	62%
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%

[1] Reflects excise taxes of $54,928 and other revenue adjustments, representing our determination of returns and pricing adjustments, of $14,000 for the year ended March 31, 2021 (year ended March 31, 2020 - excise taxes of $35,649 and other revenue adjustments of $51,500).

[2] Reflects excise taxes of $5,621 for the year ended March 31, 2021 (year ended March 31, 2020 - $5,205).

Revenue by Form *(in thousands of Canadian dollars)*	Years ended March 31, 2021	2020	$ Change	% Change
Canadian recreational cannabis				
Dry bud[1]	$ 238,021	$ 238,099	$ (78)	-
Oils and softgels[1]	28,761	21,640	7,121	33%
Beverages, edibles, topicals and vapes	31,747	1,059	30,688	2898%
Other revenue adjustments	(14,000)	(51,500)	37,500	73%
Excise taxes	(54,928)	(35,649)	(19,279)	(54%)
	229,601	173,649	55,952	32%
Medical cannabis and other				
Dry bud	40,479	37,435	3,044	8%
Oils and softgels	101,875	89,056	12,819	14%
Beverages, edibles, topicals and vapes	12,346	-	12,346	-
Excise taxes	(5,621)	(5,205)	(416)	(8%)
	149,079	121,286	27,793	23%
Global cannabis net revenue	378,680	294,935	83,745	28%
Other consumer products				
Storz & Bickel	80,998	48,329	32,669	68%
This Works	33,314	24,725	8,589	35%
Other	53,657	30,783	22,874	74%
Other consumer products revenue	167,969	103,837	64,132	62%
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%

[1] Excludes the impact of other revenue adjustments.

Net revenue was $546.6 million in fiscal 2021, as compared to $398.8 million in fiscal 2020. The year-over-year increase is attributable to:

- Growth in our global cannabis segment, which was primarily due to the performance of both our Canadian recreational business-to-business and business-to-consumer channels and the growth in our U.S. CBD business; and
- Growth in our other consumer products, which was primarily due to the continued strong performance by Storz & Bickel and growth in our BioSteel business, both due primarily to the expansion of their U.S. distribution networks in fiscal 2021.

<u>Global cannabis</u>

Net revenue from our global cannabis segment was $378.7 million in fiscal 2021, as compared to $294.9 million in fiscal 2020.

Canadian recreational cannabis net revenue was $229.6 million in fiscal 2021, as compared to $173.6 million in fiscal 2020.

- Net revenue from the business-to-business channel was $163.6 million in fiscal 2021, as compared to $121.6 million in fiscal 2020. Net revenue from this channel in fiscal 2020 was impacted by other revenue adjustments in the amount of $51.5 million related to our determination, primarily in the first two quarters of fiscal 2020, of returns and pricing adjustments associated primarily with the risk of over-supply of certain oil and softgel products. Comparatively, other revenue adjustments declined to $14.0 million in fiscal 2021. We also benefited in fiscal 2021 from an overall increase in demand resulting from the opening of a total of 945 new retail stores across Canada in fiscal 2021, and the revenue growth associated with the introduction, late in the fourth quarter of fiscal 2020, of our portfolio of Cannabis 2.0 product offerings. However, we were impacted in fiscal 2021 by an unfavorable product mix due primarily to an increase in the volume of value-priced dried flower product sold compared to the prior year, and price compression resulting from increased competition in the value-priced dried flower category of the recreational market.
- Revenue from the business-to-consumer channel was $66.0 million in fiscal 2021, as compared to $52.0 million in fiscal 2020. The year-over-year increase is primarily attributable to (i) the build-out of our retail store platform across Canada to 33 corporate-owned Tweed and Tokyo Smoke retail stores at March 31, 2021, an increase from 22 stores at March 31, 2020; and (ii) the continued broadening of our brand and product offerings at our retail locations to include new value-priced dried flower products, vapes, and cannabis-infused beverages, and the benefit of holiday promotional campaigns held in fiscal 2021. Partially offsetting these increases was (i) the adverse impact, predominantly in the first quarter of fiscal 2021, of the temporary closure of our retail stores in response to the COVID-19 pandemic and their re-opening, beginning in mid-April, with reduced hours and under a “click-and-collect” model with curbside pickup or delivery; and (ii) decreased traffic at our corporate-owned retail stores in the fourth quarter of fiscal 2021, which was partly attributable to measures implemented by certain Canadian provincial governments to limit the spread of COVID-19.

Canadian medical cannabis net revenue was $55.4 million in fiscal 2021, as compared to $51.6 million in fiscal 2020. The year-over-year increase is due primarily to the continued broadening of our brand and medical cannabis product offerings available on the Spectrum Therapeutics online store in response to medical customer demand, including the introduction of pre-rolled joints, vapes and cannabis-infused chocolates, and certain premium dry flower brands.

International and other cannabis revenue was $93.6 million in fiscal 2021, as compared to $69.6 million in fiscal 2020. C^3 (acquired in April 2019) contributed revenue of $62.3 million in fiscal 2021, a year-over-year increase of $8.6 million. In addition to the full twelve months of revenue contribution in fiscal 2021, revenue growth was driven by an expansion of C^3's customer base relative to the prior year. Other cannabis revenue was $31.3 million in fiscal 2021, a year-over-year increase of $15.4 million primarily attributable to (i) the growth in our U.S. CBD business, attributable primarily to the introduction of the Martha Stewart CBD line of products in September 2020; (ii) the growth in our international medical cannabis business resulting from the resolution of supply constraints we had experienced early in fiscal 2020 that impacted our German medical cannabis business.

Other consumer products

Revenue from our other consumer products segment was $168.0 million in fiscal 2021, as compared to $103.8 million in fiscal 2020.

- Revenue from Storz & Bickel was $81.0 million in fiscal 2021, a year-over-year increase of $32.7 million due primarily to an expansion of our distribution network in the United States.
- This Works (acquired in May 2019) contributed revenue of $33.3 million in fiscal 2021, a year-over-year increase of $8.6 million. In addition to the full twelve months of revenue contribution in the current fiscal year, revenue growth was driven by the expansion of distribution to both direct-to-consumer and third-party e-commerce channels, and new product launches. These factors were partially offset by the impact of the temporary closure of brick-and-mortar retail stores and other measures to control the outbreak of the COVID-19 pandemic in the United Kingdom, largely in the first quarter, and late in the third quarter of fiscal 2021.
- Other revenue was $53.7 million in fiscal 2021, a year-over-year increase of $22.9 million due primarily to BioSteel (which was acquired in October 2019) contributing a full twelve months of revenue contribution in fiscal 2021, and also benefiting from an expansion and strengthening of their U.S. distribution channel in the fourth quarter of fiscal 2021.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the years ended March 31, 2021 and 2020:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2021	2020	$ Change	% Change
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%
Cost of goods sold	$ 479,689	$ 430,456	$ 49,233	11%
Gross margin	66,960	(31,684)	98,644	311%
Gross margin percentage	12%	(8%)	-	2,000 bps

Cost of goods sold in fiscal 2021 was $479.7 million, as compared to $430.5 million in fiscal 2020. Our gross margin in fiscal 2021 was $67.0 million, or 12% of net revenue, as compared to gross margin of $(31.7) million and gross margin percentage of (8%) of net revenue in fiscal 2020. The year-over-year increase in the gross margin percentage is attributable to:

- A year-over-year decrease in restructuring and other charges recorded in cost of goods sold. We recorded restructuring charges totaling $26.0 million in fiscal 2021, relating primarily to the closure of certain Canadian and international production facilities as described below under "Restructuring, Asset Impairments and Related Costs". Comparatively, we recorded restructuring and other charges totaling $132.1 million in fiscal 2020 in relation to (i) restructuring charges in the amount of $55.9 million relating to excess hemp inventories in the United States and the closure of our greenhouses in Canada; and (ii) inventory write-downs in the amount of $76.2 million primarily related to aged, obsolete or unsaleable cannabis inventories and packaging within Canada.
- In fiscal 2020 we recorded inventory write-downs totaling $29.0 million associated with (i) excess finished recreational cannabis inventory and trim inventory related primarily to our evaluation of the estimated on-hand provincial and territorial inventory levels compared to forecasted "sell-in" rates of certain oils and softgel products, which led to our conclusion that a portion of this inventory may not be sold within a reasonable timeframe; (ii) the impact on gross margin reflecting the returns and pricing adjustments relating primarily to the over-supply of certain oils and softgel products in the second quarter of fiscal 2020; and (iii) other adjustments related to excess inventory. Similar write-downs did not recur in fiscal 2021.

Excluding the items highlighted above, our adjusted gross margin percentage in fiscal 2021 was impacted by the following items as compared to our adjusted gross margin percentage in fiscal 2020:

- An increase in operating costs relating to facilities not yet cultivating or producing cannabis, not yet producing cannabis-related products or having under-utilized capacity. In fiscal 2021, these costs amounted to $60.7 million and primarily related to (i) start-up costs associated with our gummie production facility in Smiths Falls, our facilities in the United States, and our greenhouse in Denmark prior to its closure in the fourth quarter of fiscal 2021; and (ii) under-utilized capacity associated with our chocolate, beverage and vape production facilities in Smith Falls, and our indoor facility in Newfoundland prior to its closure in early December. Comparatively, in fiscal 2020 these costs amounted to $39.6 million and primarily related to start-up costs associated with our advanced manufacturing and beverage facilities in Smiths Falls, our greenhouse in Denmark, under-utilized capacity associated with our KeyLeaf extraction facility, and costs associated with our 2020 Canadian outdoor harvest.
- Lower production output, particularly in Canada, to align with expected market demand. Lower production output, coupled with our fixed costs representing a high proportion of our overall cultivation and manufacturing cost structure, resulted in the under-absorption of these fixed costs and an adverse impact on gross margin in the current fiscal year. In connection with these changes to our production strategy we also adjusted our cannabis production profile to focus on higher-potency strains which are more in-demand, resulted in the recognition of additional inventory charges, predominantly in the first quarter of fiscal 2021.
- An unfavorable product mix in fiscal 2021 due primarily to an increase in the volume of value-priced dried flower product sold in the Canadian recreational cannabis channel, compared to the prior year.

We report gross margin and gross margin percentage in two segments: (i) global cannabis; and (ii) other consumer products. The following table presents segmented gross margin and gross margin percentage for the years ended March 31, 2021 and 2020:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2021	2020	$ Change	% Change
Global cannabis segment				
Cost of goods sold	$ 371,635	$ 371,771	$ (136)	-
Gross margin	7,045	(76,836)	83,881	109%
Gross margin percentage	2%	(26%)		2,800 bps
Other consumer products segment				
Cost of goods sold	$ 108,054	$ 58,685	$ 49,369	84%
Gross margin	59,915	45,152	14,763	33%
Gross margin percentage	36%	43%		(700) bps

Global cannabis

Gross margin for our global cannabis segment was $7.0 million in fiscal 2021, or 2% of net revenue, as compared to $(76.8) million in fiscal 2020, or (26%) of net revenue. The year-over-year increase in the gross margin percentage was primarily due to the decrease in restructuring and other charges recorded in cost of goods sold, from $132.1 million in fiscal 2020 to $26.0 million in fiscal 2021, as discussed above in our analysis of cost of goods sold and gross margin on a consolidated basis. Excluding these items, our adjusted gross margin percentage in fiscal 2021 was impacted by (i) an increase in operating costs relating to facilities not yet cultivating or producing cannabis, not yet producing cannabis-related products or having under-utilized capacity; (ii) lower production output resulting in under-absorption of our fixed costs; (iii) the recognition of inventory charges associated with the shift in cannabis production profile; and (iv) an unfavorable product mix due primarily to an increase in the volume of value-priced dried flower product sold in the Canadian recreational cannabis channel, compared to the prior year.

Other consumer products

Gross margin for our other consumer products segment was $59.9 million in fiscal 2021, or 36% of net revenue, as compared to $45.2 million in fiscal 2020, or 43% of net revenue. The year-over-year decline in our gross margin percentage was primarily due to a shift in the business mix in fiscal 2021 towards increased contributions to our segment revenue from BioSteel, which currently has a lower margin relative to Storz & Bickel and This Works.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2021 and 2020:

(in thousands of Canadian dollars)	Years ended March 31, 2021	Years ended March 31, 2020	$ Change	% Change
Operating expenses				
General and administrative	$ 238,305	$ 304,635	$ (66,330)	(22%)
Sales and marketing	194,395	242,831	(48,436)	(20%)
Research and development	57,582	61,812	(4,230)	(7%)
Acquisition-related costs	13,522	20,840	(7,318)	(35%)
Depreciation and amortization	71,585	63,619	7,966	13%
Selling, general and administrative expenses	575,389	693,737	(118,348)	(17%)
Share-based compensation	83,013	258,104	(175,091)	(68%)
Share-based compensation related to acquisition milestones	8,136	62,172	(54,036)	(87%)
Share-based compensation expense	91,149	320,276	(229,127)	(72%)
Expected credit losses on financial assets and related charges	109,480	-	109,480	-
Asset impairment and restructuring costs	534,398	623,266	(88,868)	(14%)
Total operating expenses	$ 1,310,416	$ 1,637,279	$ (326,863)	(20%)

Selling, general and administrative expenses

Selling, general and administrative expenses in fiscal 2021 were $575.4 million, as compared to $693.7 million in fiscal 2020.

General and administrative expense in fiscal 2021 was $238.3 million, as compared to $304.6 million in fiscal 2020. The year-over-year decrease is primarily attributable to:

- A reduction in costs attributable to the restructuring actions initiated in the fourth quarter of fiscal 2020 and continuing through fiscal 2021, resulting from an organizational and strategic review of the business. Accordingly, as we exited non-strategic geographies and began streamlining our operations, we realized reductions related to (i) compensation costs and third-party professional fees associated with finance, legal and other administrative functions; (ii) facilities and insurance costs; and (iii) scaling-back on our expansion and business development initiatives. Partially offsetting these costs reductions were a year-over-year increase in third-party professional consulting fees associated with the organizational and strategic review of our business, and the growth in our business through the acquisitions of C^3, This Works and BioSteel in fiscal 2020, all of which contributed a full fiscal year to our operating results in fiscal 2021.
- Losses recorded in the second quarter of fiscal 2020 of $10.8 million related to a legal dispute with a third-party supplier, and $8.8 million associated with additional reserves on onerous lease obligations. These losses did not recur in the current fiscal year.
- Payroll subsidies in the amount of $11.0 million received from the Canadian government in fiscal 2021, pursuant to a COVID-19 relief program.

Sales and marketing expense in fiscal 2021 was $194.4 million, as compared to $242.8 million in fiscal 2020. The year-over-year decrease is primarily attributable to:

- A reduction of costs attributable to the restructuring actions initiated in the fourth quarter of fiscal 2020 and continuing through fiscal 2021. This included the rationalization of our Canadian marketing organization in April 2020, and a reduction in (i) creative design, brand insights and product marketing and advertising campaign costs in preparation for the launch of our Cannabis 2.0 portfolio of products; and (ii) staffing costs associated with servicing our Canadian market.
- With measures established to contain the spread of COVID-19, we delayed or cancelled various product and brand marketing initiatives across our business, and incurred reduced travel costs associated with restrictions aimed at controlling the spread of COVID-19.
- The above factors were partially offset by (i) higher compensation costs and increased brand and advertisement agency spending in support of our United States CBD business, particularly with respect to the launch of the Martha Stewart CBD product line, CBD beverages and vape products; and (ii) an increase in sponsorship fees relating to BioSteel's partnership deals with National Basketball Association teams and players, and promotional and sales and marketing staff compensation costs supporting BioSteel's launch of ready-to-drink beverages across the United States through their distribution network.

Research and development expense in fiscal 2021 was $57.6 million, as compared to $61.8 million in fiscal 2020. The year-over-year decrease is primarily attributable to a reduction in costs due to the restructuring actions initiated in the fourth quarter of fiscal 2020 and continuing throughout fiscal 2021. As we rationalized our research and development activities and reduced our clinical trials and other external laboratory research and testing for cannabinoid-based therapies, we realized reductions in compensation costs and curtailed certain research and development projects for which we had incurred costs in fiscal 2020.

Acquisition-related costs in fiscal 2021 were $13.5 million, as compared to $20.8 million in fiscal 2020. The year-over-year decrease is attributable to more mergers and acquisitions activity in fiscal 2020. In fiscal 2021, our primary mergers and acquisitions activity related to (i) entering into, and implementing, the Acreage Amended Arrangement; and (ii) entering into, and completing, the RIV Arrangement. Additionally, costs were incurred in relation to completing the acquisition of Ace Valley and entering into the Supreme Arrangement Agreement, both of which occurred in April 2021 (see "Recent Developments" above), and evaluating other potential acquisition opportunities. Comparatively, in fiscal 2020, we incurred acquisition-related costs related to entering into and implementing the Original Acreage Arrangement, closing the acquisitions of C^3, This Works, BioSteel, and the unowned interest in Beckley Canopy Therapeutics ("BCT"), and the transaction to launch More Life Growth Company ULC ("More Life"). Additionally, costs were incurred in relation to evaluating other potential acquisition opportunities.

Depreciation and amortization expense was $71.6 million in fiscal 2021, as compared to $63.6 million in fiscal 2020. The year-over-year increase is primarily attributable to the impact of building-out of our infrastructure across Canada in previous fiscal years, the growth in our business over the past year with the acquisitions of C^3, BioSteel and This Works, the growth in our network of corporate-owned Tweed and Tokyo Smoke retail stores, the implementation of information technology, and our investment in infrastructure in Europe and the United States. These factors were partially offset by a reduction in depreciation and amortization expense associated with restructuring actions announced in December 2020, which resulted in the closure of certain of our Canadian facilities.

Share-based compensation expense

Share-based compensation was $83.0 million in fiscal 2021, as compared to $258.1 million in fiscal 2020. The year-over-year decrease is primarily attributable to:

- The implementation of a new "Total Rewards Program" for our employees in the first half of fiscal 2020 and associated modification of our share-based compensation program. As a result, 478,215 options were granted in fiscal 2021 at a weighted average price of $28.15, as compared to 22.1 million stock options in fiscal 2019 at a weighted average price of $51.49 per option, and 9.5 million options in fiscal 2020 at a weighted average price of $33.87. Accordingly, the significant number of stock options that were granted in previous years at relatively higher exercise prices impacted share-based compensation expense more significantly in previous periods; and
- The forfeiture or cancellation of 5.9 million stock options in fiscal 2020 and the forfeiture of another 8.2 million stock options in fiscal 2021 resulting primarily from restructuring actions commenced in the fourth quarter of fiscal 2020 and continued in fiscal 2021. These forfeitures and cancellations also resulted in a year-over-year reduction in share-based compensation expense.

Share-based compensation related to acquisition milestones was $8.1 million in fiscal 2021, as compared to $62.2 million in fiscal 2020. The year-over-year decrease is primarily related to (i) the restructuring of our operations in Colombia in fiscal 2020, which resulted in the acceleration of share-based compensation expense totaling $32.7 million related to the unvested milestones associated with the acquisitions of Spectrum Cannabis Colombia S.A.S. ("Spectrum Colombia"), Canindica Capital Ltd. ("Canindica") (as a result, there is no remaining share-based compensation expense to be recognized in association with the Spectrum Colombia acquisition and only a minimal amount was recognized in connection with the Canindica acquisition in fiscal 2021); and (ii) the achievement, in earlier quarters, of major milestones associated with the acquisitions of Spectrum Colombia, Canindica, and Spectrum Cannabis Denmark Aps ("Spectrum Denmark"), which had resulted in the recognition of share-based compensation expense at that time.

Expected credit losses on financial assets and related charges

In fiscal 2021, we recorded expected credit losses on financial assets and related charges in the amount of $109.5 million, in relation to PharmHouse Inc. ("PharmHouse"), a joint venture formed between RIV Capital and its joint venture partner in May, 2018. These expected credit losses and related charges were recognized through February 23, 2021, the date of completion of the RIV Arrangement, and associated derecognition of RIV Capital's consolidated assets and liabilities from our consolidated financial statements (see "Recent Developments" above), and included:

- $62.0 million related to expected credit losses associated with financing provided by RIV Capital to PharmHouse, and which we determined may not be recoverable. These amounts included (i) $40.0 million of secured debt financing advanced pursuant to a shareholder loan; (ii) $9.3 million advanced under a debtor-in-possession, non-revolving credit facility; (iii) a total of $3.7

million advanced under secured and unsecured demand promissory notes; and (iv) associated interest receivable totaling $9.0 million;
- $32.5 million related to expected credit losses recognized for RIV Capital's contingent obligation to perform on the financial guarantee they provided with respect to PharmHouse's $90.0 million credit agreement. The expected credit losses reflected the shortfall between the estimated recoverable amount of PharmHouse, and RIV Capital's exposure under their financial guarantee of PharmHouse's credit agreement;
- $15.0 million related to certain advances provided by us to PharmHouse that were determined to be unrecoverable.

Additionally, we determined that there was an other-than-temporary impairment on our equity investment in PharmHouse, and recognized an impairment charge for the full amount of the investment of $32.4 million (see "Loss from equity method investments" below). Refer to Note 12 of our Financial Statements for further information regarding PharmHouse.

Asset impairment and restructuring costs

Asset impairment and restructuring costs recorded in operating expenses in fiscal 2021 were $534.4 million, as compared to $623.3 million in fiscal 2020. In fiscal 2021 these costs included charges of $527.8 million related to restructuring actions and charges of $6.6 million related to other asset impairments. Comparatively, in fiscal 2020 these costs included charges of $563.2 million related to restructuring actions and charges of $60.0 million related to other asset impairments. These charges are detailed below under "Restructuring, Asset Impairments and Related Costs".

Other

The following table presents loss from equity method investments, other income (expense), net, and income tax recovery for the years ended March 31, 2021 and 2020:

	Years ended March 31,			
(in thousands of Canadian dollars)	2021	2020	$ Change	% Change
Loss from equity method investments	$ (52,629)	$ (64,420)	$ 11,791	18%
Other income (expense), net	(387,876)	224,329	(612,205)	(273%)
Income tax recovery	13,141	121,614	(108,473)	(89%)

Loss from equity method investments

The loss from equity method investments in fiscal 2021 was $52.6 million, as compared to $64.4 million in fiscal 2020. The year-over-year decrease in the loss is primarily attributable to a reduction in impairment charges recognized in relation to our equity method investments.

In fiscal 2021, we recognized impairment charges totaling $44.1 million, including charges of $32.4 million recognized in the second quarter of fiscal 2021 relating to PharmHouse (see "Expected credit losses on financial assets and related charges" above); charges of $10.3 million recognized in the fourth quarter of fiscal 2021 relating to More Life, which were associated with our fiscal 2021 restructuring actions; and charges of $1.4 million related to Agripharm Corp. ("Agripharm").

Comparatively, in fiscal 2020 we recognized impairment charges totaling $55.2 million. The charges included $14.9 million related to More Life, which were associated with our fiscal 2020 restructuring actions, and other impairments totaling $40.3 million associated with Agripharm ($29.2 million), CanapaR ($8.2 million), and other equity investments ($3.0 million).

Other income (expense), net

Other income (expense), net was an expense amount of $387.9 million in fiscal 2021, as compared to an income amount of $224.3 million in fiscal 2020. The year-over-year change of $612.2 million from an income amount to an expense amount is primarily attributable to:
- Change of $1.1 billion related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants held by CBI, from an income amount of $795.1 million in fiscal 2020 to an expense amount of $293.1 million in fiscal 2021. The increase of $293.1 million in the fair value of the warrant derivative liability (resulting in non-cash expense) in fiscal 2021 is primarily attributable to an increase of approximately 97% in our share price from April 1, 2020 to March 31, 2021, partially offset by a shorter expected time to maturity of the warrants. Comparatively, the decrease of $795.1 million in the fair value of the warrant derivative liability in fiscal 2020 was primarily attributable to a decline of approximately 62% in our share price from June 27, 2019, when the terms of the warrants were amended, to March 31, 2020.
- Change of $347.3 million related to the non-cash fair value changes on the convertible senior notes, from an income amount of $184.7 million in fiscal 2020 to an expense amount of $162.5 million in fiscal 2021. The year-over-year change is primarily

due to an increase of approximately 97% in our share price from April 1, 2020 to March 31, 2021, as compared to a decline of approximately 64% from April 1, 2019 to March 31, 2020.

- In fiscal 2020, we recognized gains of $61.8 million in relation to (i) our acquisition of the unowned interest in BCT, which increased our total ownership to 100% of BCT's issued and outstanding shares ($39.5 million); and (ii) our disposal of a previously-consolidated subsidiary in conjunction with the transaction completed to launch More Life Growth Company ($22.3 million). Comparatively, in fiscal 2021 we recognized gains totaling $0.6 million in relation to the completion of the RIV Arrangement, as discussed in "Recent Developments" above, and the disposition of certain of our other financial assets.
- A decrease in interest income of $45.0 million, from $66.3 million in fiscal 2020 to $21.4 million in fiscal 2021. While our cash and cash equivalents and short-term investment balance, on a combined basis, increased $322.7 million from March 31, 2020 to March 31, 2021, we received net proceeds of $877.1 million in March 2021 pursuant to the Credit Facility, as discussed in "Recent Developments" above. Excluding this cash inflow, our cash and cash equivalents and short-term investments balance decreased year-over-year and this was the primary driver of the decrease in interest income.
- Change of $679.1 million related to non-cash fair value changes on our other financial assets, from an expense amount of $244.0 million in fiscal 2020 to an income amount of $435.1 million in fiscal 2021. The income amount recognized in fiscal 2021 is primarily attributable to fair value increases relating to our investments in in the TerrAscend Exchangeable Shares ($338.0 million), and the TerrAscend Canada secured debenture and the TerrAscend warrants (totaling $149.9 million), driven largely by an increase of approximately 414% in TerrAscend's share price from April 1, 2020 to March 31, 2021 and a re-assessment of the probability and timing of changes in federal laws in the United States regarding the permissibility of the cultivation, distribution or possession of marijuana. Comparatively, the expense amount in fiscal 2020 was primarily driven by decreases of $113.0 million and $40.5 million in the fair value of our TerrAscend Exchangeable Shares and warrants in the capital of SLANG, respectively. Both companies have interests in cannabis-related businesses in the United States and the fair value decreases resulted primarily from declines of approximately 69% and 90%, respectively in their respective stock prices during fiscal 2020. Additionally, the fair values of several of our other investments decreased during fiscal 2020 in-line with the broader decline in the Canadian cannabis market. Partially offsetting these year-over-year fair value increases was (i) a fair value decrease of $37.0 million representing the difference between the Hempco Debenture and the estimated fair value of the Hempco Debenture measured using a discounted cash flow model; and (ii) a fair value decrease of $7.2 million related to RIV Capital's investment in Agripharm pursuant to a royalty agreement, which was incurred prior to the completion of the RIV Arrangement, as discussed in "Recent Developments" above.
- A decrease in non-cash expense of $245.3 million related to fair value changes on the liability arising from the Acreage Arrangement, from $645.2 million in fiscal 2020 to $399.8 million in fiscal 2021. We determine the fair value of the liability arising from the Acreage Arrangement using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fiscal 2021 expense amount, associated with an increase in the liability arising from the Acreage Arrangement, is primarily attributable to an increase of approximately 97% in our share price from April 1, 2020 to March 31, 2021. As a result, the model at March 31, 2021 reflects a higher estimated value of the Canopy Growth Shares expected to be issued at the exchange ratio of 0.3048 upon a Triggering Event, relative to the estimated amount of the Acreage shares expected to be acquired at that time. Comparatively, the expense amount of $645.2 million in fiscal 2020 was primarily attributable to an overall decline in both our and Acreage's share prices in fiscal 2020.
- An increase of $27.3 million in non-cash income related to fair value changes on acquisition related contingent consideration. In fiscal 2019 we acquired ebbu Inc. ("ebbu"), and the consideration paid included contingent consideration related to the achievement, by ebbu, of certain scientific related milestones. The year-over-year change in the fair value of the acquisition related contingent consideration is primarily attributable to changes in our assessment of the probability and timing of ebbu achieving certain of these milestones.

<u>Income tax recovery (expense)</u>

Income tax recovery was $13.1 million in fiscal 2021, compared to income tax recovery of $121.6 million in fiscal 2020. In fiscal 2021, income tax recovery consisted of deferred income tax recovery of $34.5 million (compared to a recovery of $138.3 million in fiscal 2020) and current income tax expense of $21.4 million (compared to an expense of $16.7 million in fiscal 2020).

The decrease of $103.8 million in deferred income tax recovery is primarily a result of current year changes being less than prior year in respect of (i) deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of property, plant and equipment, intangible assets, and other financial assets; and (ii) the recognition of losses carried forward net of the use of losses carried forward from prior years for which a deferred tax asset had been recorded. In connection with certain deferred tax assets, mainly in respect to losses for tax purposes, where the accounting criteria for recognition of an asset has yet to be satisfied and it is not probable that they will be used, the deferred tax asset has not been recognized.

The increase of $4.7 million in current income tax expense arose primarily in connection with legal entities that generated income for tax purposes that could not be reduced by the group's tax attributes.

Restructuring, Asset Impairments and Related Costs

Fiscal 2021

Total restructuring, asset impairments and related costs of $570.7 million were recognized in fiscal 2021, comprised of property, plant and equipment and intangible asset impairment charges, asset abandonment costs, inventory write-downs, contractual and other settlement costs, employee-related costs and other restructuring costs, and impairment charges related to certain of our equity method investments totaling $564.0 million associated with:

- The restructuring actions commenced in the third quarter of fiscal 2021 and continuing into the fourth quarter of fiscal 2021 as the partial outcome of an ongoing end-to-end strategic review of our operations designed to streamline our operations and further improve gross margins. This resulted in the closure of our sites in St. John's, Newfoundland and Labrador; Fredericton, New Brunswick; Edmonton, Alberta; Bowmanville, Ontario; our outdoor grow operations in Saskatchewan; and the abandonment or impairment of certain of its production facilities and intangible assets and termination of approximately 220 full-time positions;
- Completing the sale of our production facilities in Aldergrove and Delta, British Columbia in December 2020 and January 2021, respectively for combined proceeds of $40.7 million, the resulting adjustments to the net book value of these production facilities from March 31, 2020 to reflect their selling prices, and costs associated with the remediation of damages caused by the fire at the Delta facility in November, the closure of the facilities, and their sale;
- Completing certain of the restructuring actions that we commenced in the fourth quarter of fiscal 2020, including the exit of our operations in South Africa and Lesotho and our strategy shift in Latin America, and recording final adjustments related to changes in certain estimates recorded at March 31, 2020;
- Costs related to rationalizing our marketing organization and certain research and development activities in the first and second quarters of fiscal 2021, respectively; and
- Costs associated with rationalizing certain licensing arrangements, including (i) the impairment of our equity method investment in More Life; (ii) the difference between the termination payment made by us to More Life and the remaining minimum royalty obligations owing to More Life that were derecognized; and (iii) charges associated with terminating a licensing agreement with a third party.

Impairment charges totaling $6.6 million related to licensed brand intangible assets, which were identified during our annual impairment testing process.

A summary of the pre-tax charges recognized in fiscal 2021 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2021		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs	$ 25,985	$ -	$ 25,985
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	426,748	-	426,748
Impairment and abandonment of intangible assets	54,511	6,634	61,145
Contractual and other settlement obligations	22,352	-	22,352
Employee-related and other restructuring costs	24,153	-	24,153
Asset impairment and restructuring costs	527,764	6,634	534,398
Costs recorded in loss from equity method investments:			
Impairment of equity method investments	10,300	-	10,300
Total restructuring, asset impairments and related costs	$ 564,049	$ 6,634	$ 570,683

Fiscal 2020

Total restructuring, asset impairments and related costs of $843.3 million were recognized in fiscal 2020, comprised of:

- Property, plant and equipment and intangible asset impairment charges, asset abandonment costs, inventory write-downs, contractual and other settlement costs, employee-related costs and other restructuring costs, share-based compensation expense, and impairment charges related to certain of our equity method investments totaling $742.9 million associated with the organizational and strategic review of our business that commenced in the fourth quarter of fiscal 2020. This review resulted in the following actions designed to improve organizational focus, streamline operations and align our production capability with projected demand: (i) the closure of certain of our greenhouses as they are no longer essential to our Canadian cannabis cultivation footprint; (ii) exiting non-strategic geographies, including South Africa and Lesotho and our hemp farming operations in New York, and shifting our strategy in Colombia; and (iii) rationalizing certain marketing and research and development activities. These actions also resulted in the elimination of approximately 600 full-time positions.
- Impairment charges totaling $100.3 million, including (i) $60.0 million related to contractual and other settlement costs and brand and license impairments, which were identified during our annual impairment testing process; and (ii) $40.3 million related to certain of our equity method investments.

A summary of the pre-tax charges recognized in fiscal 2020 in connection with our restructuring actions described above is as follows:

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

Net Loss

The net loss was $1.7 billion in fiscal 2021, as compared to $1.4 billion in fiscal 2020. The increase in the net loss is primarily attributable to the year-over-year change in other income (expense), net, the reduction in the income tax recovery, and expected credit losses on financial assets and related charges, and partially offset by the year-over-year improvement in gross margin and reductions in selling, general and administrative expenses, share-based compensation expense, and asset impairment and restructuring charges. These variances are discussed above in our discussion of our fiscal 2021 results of operations.

Adjusted EBITDA (Non-GAAP Measure)

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

The following table presents Adjusted EBITDA for the years ended March 31, 2021 and 2020:

(in thousands of Canadian dollars)	Years ended March 31, 2021	Years ended March 31, 2020	$ Change	% Change
Net loss	$ (1,670,820)	$ (1,387,440)	$ (283,380)	(20%)
Income tax recovery	(13,141)	(121,614)	108,473	89%
Other (income) expense, net	387,876	(224,329)	612,205	273%
Loss on equity method investments	52,629	64,420	(11,791)	(18%)
Share-based compensation[1]	91,149	320,276	(229,127)	(72%)
Acquisition-related costs	13,522	20,840	(7,318)	(35%)
Depreciation and amortization[1]	127,118	125,013	2,105	2%
Asset impairment and restructuring costs	534,398	623,266	(88,868)	(14%)
Expected credit losses on financial assets and related charges	109,480	-	109,480	-
Restructuring and other charges recorded in cost of goods sold	25,985	132,089	(106,104)	(80%)
Charges related to the flow-through of inventory step-up on business combinations	1,494	4,687	(3,193)	(68%)
Adjusted EBITDA	$ (340,310)	$ (442,792)	$ 102,482	23%

[1] From Statements of Cash Flows.

The Adjusted EBITDA loss in fiscal 2021 was $340.3 million, as compared to an Adjusted EBITDA loss of $442.8 million in fiscal 2020. The year-over-year decrease in the Adjusted EBITDA loss is primarily attributable to the year-over-year reduction in our selling, general and administrative expenses, as described above.

Discussion of Fiscal 2020 Results of Operations

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

(in thousands of Canadian dollars, except share amounts and where otherwise indicated)	Years ended March 31, 2020	Years ended March 31, 2019	$ Change	% Change
Selected consolidated financial information:				
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%
Gross margin percentage	(8%)	12%	-	(2,000) bps
Net loss	$ (1,387,440)	$ (712,025)	$ (675,415)	(95%)
Net loss attributable to Canopy Growth Corporation	$ (1,321,326)	$ (736,281)	$ (585,045)	(79%)
Loss per share - basic and diluted[1]	$ (3.80)	$ (2.76)	$ (1.04)	(38%)

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

Revenue

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

Revenue by Channel *(in thousands of Canadian dollars)*	Years ended March 31, 2020	Years ended March 31, 2019	$ Change	% Change
Canadian recreational cannabis net revenue				
Business-to-business[1]	$ 121,605	$ 93,836	$ 27,769	30%
Business-to-consumer	52,044	23,144	28,900	125%
	173,649	116,980	56,669	48%
Canadian medical cannabis net revenue[2]	51,647	65,221	(13,574)	(21%)
	225,296	182,201	43,095	24%
International and other revenue				
C3	53,770	-	53,770	-
Other	15,869	10,243	5,626	55%
	69,639	10,243	59,396	580%
Global cannabis net revenue	294,935	192,444	102,491	53%
Other consumer products				
Storz & Bickel	48,329	17,768	30,561	172%
This Works	24,725	-	24,725	-
Other	30,783	16,129	14,654	91%
Other consumer products revenue	103,837	33,897	69,940	206%
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%

[1] Reflects excise taxes of $35,649 and other revenue adjustments, representing our determination of returns and pricing adjustments, of $51,500 for the year ended March 31, 2020 (year ended March 31, 2019 - excise taxes of $23,552).

[2] Reflects excise taxes of $5,205 for the year ended March 31, 2020 (year ended March 31, 2019 - $3,538).

Revenue by Form	Years ended March 31,			
(in thousands of Canadian dollars)	2020	2019	$ Change	% Change
Canadian recreational cannabis				
Dry bud[1]	$ 238,099	$ 82,643	$ 155,456	188%
Oils and softgels[1]	21,640	57,889	(36,249)	(63%)
Beverages, edibles, topicals and vapes	1,059	-	1,059	-
Other revenue adjustments	(51,500)	-	(51,500)	-
Excise taxes	(35,649)	(23,552)	(12,097)	(51%)
	173,649	116,980	56,669	48%
Medical cannabis and other				
Dry bud	37,435	51,542	(14,107)	(27%)
Oils and softgels	89,056	27,460	61,596	224%
Excise taxes	(5,205)	(3,538)	(1,667)	(47%)
	121,286	75,464	45,822	61%
Global cannabis net revenue	294,935	192,444	102,491	53%
Other consumer products				
Storz & Bickel	48,329	17,768	30,561	172%
This Works	24,725	-	24,725	-
Other	30,783	16,129	14,654	91%
Other consumer products revenue	103,837	33,897	69,940	206%
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%

[1] Excludes the impact of other revenue adjustments.

Net revenue was $398.8 million in fiscal 2020, as compared to $226.3 million in fiscal 2019. The year-over-year increase was attributable to:

- Growth in the global cannabis segment, which was primarily due to (i) the launch of the Canadian recreational cannabis market in October 2018, which resulted in a full year of recreational revenue contribution in fiscal 2020 as compared to approximately five and a half months in fiscal 2019; and (ii) the acquisition of C^3 in April 2019; and
- Growth in the other consumer products segment, which was primarily due to our acquisition of This Works in May 2019 and a full year of revenue contribution from our acquisition of Storz & Bickel in December 2018.

Global cannabis

Net revenue from our global cannabis segment was $294.9 million in fiscal 2020, as compared to $192.4 million in fiscal 2019.

Canadian recreational cannabis net revenue was $173.6 million in fiscal 2020, as compared to $117.0 million in fiscal 2019. Revenue from the business-to-business channel was $121.6 million in fiscal 2020, net of the impact of other revenue adjustments in the amount of $51.5 million associated with our determination of returns and pricing adjustments. These adjustments related primarily to the restructuring of our oils and softgels portfolio in the second quarter of fiscal 2020. Comparatively, revenue from the business-to-business channel was $93.8 million in fiscal 2019, and the year-over-year increase of $27.8 million is attributable to the opening of the Canadian recreational cannabis market on October 17, 2018. Revenue from the business-to-consumer channel was $52.0 million in fiscal 2020, an increase of $28.9 million from fiscal 2019 due to the opening of the Canadian recreational cannabis market and our build-out of our retail store platform in Canada.

Canadian medical cannabis net revenue was $51.6 million in fiscal 2020, a decrease of $13.6 million from fiscal 2019 due primarily to the transition of our medical customers to the Spectrum Therapeutics online store and its more medical-focused cannabis product offerings prior to the opening of the recreational market. In response, we broadened our brand and medical cannabis product offerings available on the Spectrum Therapeutics online store in response to medical customer demand.

International and other cannabis revenue was $69.6 million in fiscal 2020, an increase of $59.4 million from fiscal 2019. Of the increase, $53.8 million was attributable to the acquisition of C^3 in April 2019, and the remainder was primarily attributable to the year-over-year growth in our German medical revenue which resulted primarily from the resolution of the supply constraints we had previously experienced and which were associated with the opening of the recreational cannabis market in Canada.

Other consumer products

Revenue from our other consumer products segment was $103.8 million in fiscal 2020, as compared to $33.9 million in fiscal 2019. The year-over-year increase is primarily attributable to the acquisitions of Storz & Bickel and This Works. The remainder of the increase is attributable to revenue from other strategic sources including BioSteel and clinic partners. Other revenue for fiscal 2019 consisted predominantly of revenue from our clinic partners and four months of revenue contribution from Storz & Bickel.

Cost of Goods Sold and Gross Margin

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

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2020	2019	$ Change	% Change
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%
Cost of goods sold	$ 430,456	$ 198,096	$ 232,360	117%
Gross margin	(31,684)	28,245	(59,929)	(212%)
Gross margin percentage	(8%)	12%	-	(2,000 bps)

Cost of goods sold in fiscal 2020 was $430.5 million, as compared to $198.1 million in fiscal 2019. Our gross margin in fiscal 2020 was $(31.7) million, or (8%) of net revenue, as compared to gross margin of $28.2 million and gross margin percentage of 12% of net revenue in fiscal 2019. The year-over-year decrease in the gross margin percentage is attributable to charges totaling $132.1 million and inventory write-downs of $29.0 million recorded in fiscal 2020, as described above in our analysis of cost of goods sold and gross margin for fiscal 2021. We also incurred charges totaling $4.7 million related to the flow-through of inventory step-up associated with fiscal 2020 business combinations.

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

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

The following table presents segmented gross margin and gross margin percentage for the years ended March 31, 2020 and 2019:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2020	2019	$ Change	% Change
Global cannabis segment				
Cost of goods sold	$ 371,771	$ 175,957	$ 195,814	111%
Gross margin	(76,836)	16,487	(93,323)	(566%)
Gross margin percentage	(26%)	9%		(3,500 bps)
Other consumer products segment				
Cost of goods sold	$ 58,685	$ 22,139	$ 36,546	165%
Gross margin	45,152	11,758	33,394	284%
Gross margin percentage	43%	35%		800 bps

Global cannabis

Gross margin for our global cannabis segment was $(76.8) million in fiscal 2020, or (26%) of net revenue, as compared to $16.5 million in fiscal 2019, or 9% of net revenue. The year-over-year decrease in the gross margin percentage was primarily due to the restructuring and other charges recorded in cost of goods sold ($132.1 million) and the inventory write-downs associated with our oils and softgels portfolio ($29.0 million) recorded in fiscal 2020, as discussed above in our analysis of cost of goods sold and gross margin on a consolidated basis. Excluding the items highlighted above, our adjusted gross margin percentage in fiscal 2020 benefited from a year-over-year decrease in the impact of operating costs relating to facilities not yet cultivating or processing cannabis, not yet producing cannabis-related products or having under-utilized capacity.

Other consumer products

Gross margin for our other consumer products segment was $45.2 million in fiscal 2020, or 43% of net revenue, as compared to $11.8 million in fiscal 2019, or 35% of net revenue. The year-over-year increase in our gross margin percentage was primarily due to the acquisitions of Storz & Bickel (December 2018) and This Works (May 2019), and the resulting shift in the business mix in fiscal 2020 as these higher-margin businesses contributed twelve months and approximately ten months, respectively, to our results.

Operating Expenses

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

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

Selling, general and administrative expenses

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

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

- Increased employee compensation and professional service costs associated with (i) enhancing our finance and information technology capabilities and meeting our public company compliance and regulatory requirements, including costs associated with the loss of our foreign private issuer status and our transition to U.S. GAAP; and (ii) regional management and government and regulatory relations support, as we expanded our operations into the United States and internationally. The increased costs include both professional service costs and higher compensation costs associated with an increase in the number of our employees;
- Increased insurance costs primarily associated with enhancing the coverage in our directors and officers insurance policy and higher property insurance coverage related to the expansion of our operations;
- Growth in our business through the acquisitions in fiscal 2020 of C^3, This Works and BioSteel, which has resulted in a year-over-year increase in general and administrative costs;
- Non-recurring losses of $10.8 million incurred related to legal disputes with a third-party supplier; and
- An increase in other administrative costs, such as information technology infrastructure and software licenses, associated with the increase in the number of employees.

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

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

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

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

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

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

Share-based compensation expense

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

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

Asset impairment and restructuring costs

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

Other

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

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

Loss from equity method investments

The loss from equity method investments was $64.4 million in fiscal 2020, as compared to $10.8 million in fiscal 2019. The year-over-year increase in the loss was primarily due to impairment charges of $55.2 million that were recognized in the fourth quarter of fiscal 2020, as described above in our analysis of the loss on equity method investments for fiscal 2021.

Other (expense) income, net

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

- An income amount of $795.1 million in fiscal 2020 related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants. The decrease in the fair value of the warrant derivative liability was primarily attributable to the decline of approximately 62% in our share price from June 27, 2019, when the terms of the warrants were amended, to March 31, 2020.
- Change of $387.8 million, from an expense amount of $203.1 million to an income amount of $184.7 million, related to the non-cash fair value changes on our convertible senior notes. The stock price declined approximately 64% from April 1, 2019 to March 31, 2020, resulting in income being recognized, as compared to an increase of approximately 33% from the issuance of the convertible senior notes in June 2018 to March 31, 2019, which resulted in an expense being recognized.
- An expense of $28.6 million was recognized in fiscal 2019 related to a settlement reached with co-investors in two of our equity-method investees.

- Incremental interest income of $17.0 million attributable to the higher cash and cash equivalents and short-term investments balances in fiscal 2020 resulting from the investment by CBI.
- Convertible debt issuance costs of $16.4 million that were incurred in the first quarter of fiscal 2019.
- Fair value changes of $645.2 million related to the liability arising from the Original Acreage Arrangement, primarily attributable to an overall decline during fiscal 2020 in both our and Acreage's share prices, and share prices across the U.S. multi-state operator sector.
- Change of $327.4 million related to the non-cash fair value changes on our other financial assets, from an income amount of $83.4 million in fiscal 2019 to an expense amount of $244.0 million in the current period. The expense amount in the current fiscal year was primarily driven by decreases of $113.0 million and $40.5 million in the fair value of our TerrAscend Exchangeable Shares and warrants in the capital of SLANG, respectively. Both companies have interests in cannabis-related businesses in the United States and the fair value decreases resulted primarily from declines of approximately 69% and 90%, respectively in their respective stock prices during fiscal 2020.

Income tax recovery (expense)

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

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

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

Net Loss

The net loss was $1.4 billion in fiscal 2020, as compared to a net loss of $712.0 million in fiscal 2019. The year-over-year increase in the net loss was primarily attributable to the asset impairment and restructuring costs of $843.3 million that were recognized in the fourth quarter of fiscal 2020, as described above, partially offset by changes in other income (expense), net, and income tax recovery (expense), also as described above.

Adjusted EBITDA (Non-GAAP Measure)

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

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

[1] From Statements of Cash Flows.

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

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

Summary of Quarterly Results

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

The following tables present our unaudited quarterly results of operations for the eight consecutive quarters ended March 31, 2021:

	QUARTER ENDED				
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	Full year
Net revenue	$ 110,416	$ 135,266	$ 152,528	$ 148,439	$ 546,649
Gross margin	$ 6,495	$ 26,080	$ 24,585	$ 9,800	$ 66,960
Net loss	$ (128,322)	$ (96,552)	$ (829,251)	$ (616,695)	$ (1,670,820)
Net loss attributable to Canopy Growth Corporation	$ (108,501)	$ (32,061)	$ (904,380)	$ (699,978)	$ (1,744,920)
Net loss per common share attributable to Canopy Growth Corporation:					
Basic and diluted loss per share	$ (0.30)	$ (0.09)	$ (2.43)	$ (1.85)	$ (4.69)

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

Part 3 – Financial Liquidity and Capital Resources

We manage liquidity risk by reviewing, on an ongoing basis, our sources of liquidity and capital requirements. As of March 31, 2021, we had cash and cash equivalents of $1.2 billion and short-term investments of $1.1 billion, which are predominantly invested in liquid securities issued by the United States and Canadian governments. Additionally, we have capacity of $40.0 million under our $40.0 million revolving debt facility with Farm Credit Canada ("FCC") as well as up to an additional US$500.0 million available under the Credit Facility. In evaluating our capital requirements, including the impact, if any, on our business from the COVID-19 outbreak, and our ability to fund the execution of our strategy, we believe we have adequate available liquidity to enable us to meet our working capital and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities, and repay scheduled principal and interest payments on debt.

Our objective is to generate sufficient cash to fund our operating requirements and expansion plans. While we have incurred net losses on a GAAP basis and Adjusted EBITDA losses to date and our cash and cash equivalents have decreased $148.5 million from March 31, 2020 (although, together with short-term investments, they increased $322.7 million from March 31, 2020), as discussed in the "Cash Flows" section below, management anticipates the success and eventual profitability of the business. We have also ensured that we have access to public capital markets through our U.S. and Canadian public stock exchange listings, and as discussed above under "Recent Developments" in March 2021 we entered into the Credit Agreement in connection with the Credit Facility with an initial aggregate principal amount of US$750.0 million. We continue to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to (i) obtaining financing from traditional or non-traditional investment capital organizations; (ii) obtaining funding from the sale of our common shares or other equity or debt instruments; and (iii) obtaining debt financing with lending terms that more closely match our business model and capital needs.

There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. In fiscal 2021, our purchases of and deposits on property, plant and equipment totaled $164.5 million, which we funded out of available cash, cash equivalents and short-term investments. We expect to continue funding these purchases with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through debt and/or equity financing to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due.

Cash Flows

The table below presents cash flows for the years ended March 31, 2021, 2020 and 2019:

	Years ended March 31,		
(in thousands of Canadian dollars)	2021	2020	2019
Net cash (used in) provided by:			
Operating activities	$ (465,729)	$ (772,635)	$ (535,031)
Investing activities	(884,105)	(347,654)	(3,227,985)
Financing activities	1,264,769	(57,161)	5,851,719
Effect of exchange rate changes on cash and cash equivalents	(63,458)	(204)	69,567
Net decrease in cash and cash equivalents	(148,523)	(1,177,654)	2,158,270
Cash and cash equivalents, beginning of year	1,303,176	2,480,830	322,560
Cash and cash equivalents, end of period	$ 1,154,653	$ 1,303,176	$ 2,480,830

Operating activities

Cash used in operating activities in fiscal 2021 totaled $465.7 million, as compared to cash used of $772.6 million in fiscal 2020. The decrease in the cash used in operating activities was primarily due to the year-over-year reduction in our working capital spending on inventory, which was primarily attributable to the lower production output in fiscal 2021 (as described in the "Cost of Goods Sold and Gross Margin" section above), and a year-over-year reduction in our selling, general and administrative expenses as discussed above.

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

Investing activities

The cash used in investing activities totaled $884.1 million in fiscal 2021. We invested $164.5 million, primarily in our production infrastructure in the United States and an expansion of our Storz & Bickel facilities. We did not complete any acquisitions in fiscal 2021; we did, however, complete strategic investments totaling $44.7 million, made payments of $49.8 million to Acreage shareholders upon implementation of the Acreage Amended Arrangement in September 2020, and advanced the loan of $67.0 million to Acreage Hempco. In the fourth quarter of fiscal 2021, we completed the RIV Arrangement and, as a result, made a cash payment in the amount of $115.0 million and derecognized RIV Capital's cash balance of $37.8 million (see "Recent Developments", above). We also made payments totaling $16.9 million for acquisition-related liabilities, as we continue to draw-down on the amounts owing in relation to acquisitions completed in prior years. Finally, net purchases of short-term investments were $459.8 million, primarily related to our investment of the proceeds from CBI exercising their warrants in fiscal 2021 and the proceeds from the Credit Facility (see below). Partially offsetting the aforementioned cash outflows were cash inflows related to proceeds of $45.9 million from the sale of property, plant and equipment, proceeds of $7.0 million from the sale of equity method investments, proceeds of $18.3 million from the sale of a portfolio of patents in Germany, and proceeds of $10.0 million related to a recovery of amounts related to construction financing.

The cash used in investing activities totaled $347.7 million in fiscal 2020. We invested $704.9 million in the construction of advanced manufacturing capability and a beverage facility at our Smiths Falls location, our U.S. supply chain infrastructure, and expanding our growing capacity in Denmark. The cash used for acquisitions was $498.8 million, with the most notable cash outflows relating to our acquisitions of C^3 ($342.9 million), This Works ($71.0 million), BioSteel ($47.7 million) and BCT ($37.2 million). We also completed strategic investments totaling $529.9 million in the form of equity instruments of certain entities, most notably pursuant to the Original Acreage Arrangement ($395.2 million). Partially offsetting these outflows of cash was the net redemption of short-term investments in the amount of $1.4 billion, with the cash proceeds primarily used for the purposes described above.

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

Financing activities

The cash provided by financing activities totaled $1.3 billion in fiscal 2021. We received net proceeds of $877.1 million pursuant to the Credit Facility, as discussed in "Recent Developments", proceeds of $245.2 million in relation to CBI exercising 18.9 million warrants to purchase our common shares, and proceeds from the exercise of stock options were $156.9 million. These inflows were partially offset by scheduled repayments on long-term debt of $15.6 million.

The cash used in financing activities totaled $57.2 million in fiscal 2020. The primary outflow was the repayment of debt of $115.0 million, including the Alberta Treasury Board financing and related interest in the amount of $95.2 million, and other scheduled debt repayments.

The cash provided by financing activities totaled $5.9 billion in fiscal 2019, related primarily to the proceeds of $5.1 billion from the equity issuance to CBI, and the proceeds of $600.0 million from the issuance of the convertible senior notes.

Free Cash Flow (Non-GAAP Measure)

Free cash flow is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management believes that free cash presents meaningful information regarding the amount of cash flow required to maintain and organically expand our business, and that the free cash flow measure provides meaningful information regarding our liquidity requirements. The table below presents free cash flows for the years ended March 31, 2021, 2020 and 2019:

	Years ended March 31,		
(in thousands of Canadian dollars)	2021	2020	2019
Net cash used in operating activities	$ (465,729)	$ (772,635)	$ (535,031)
Purchases of and deposits on property, plant and equipment	(164,502)	(704,944)	(644,456)
Free cash flow[1]	$ (630,231)	$ (1,477,579)	$ (1,179,487)

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

Free cash flow in fiscal 2021 was an outflow of $630.2 million, as compared to an outflow of $1.5 billion in fiscal 2020. The year-over-year decrease in the outflow reflects the decrease in the cash used for operating activities, as described above, and the substantial completion of our cultivation and Cannabis 2.0 infrastructure build-out over the past year and the shift in strategy to an asset-light model in certain markets.

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

Debt

Since our formation, we have financed our cash requirements primarily through the issuance of capital stock, including the $5.1 billion investment by CBI in the third quarter of fiscal 2019, and debt. Total debt outstanding as of March 31, 2021 was $1.6 billion, as compared to $465.4 million as of March 31, 2020. The total principal amount owing, which excludes fair value adjustments related to the convertible senior notes, was $1.5 billion at March 31, 2021, as compared to $615.2 million at March 31, 2020. This increase is primarily due to the carrying amount of the Credit Facility of $891.7 million, representing the principal amount owing and accrued interest, net of associated financing costs (see “Recent Developments” above).

Convertible senior notes

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

Other

On August 13, 2019, we entered into a $40.0 million revolving debt facility with FCC. The new facility replaces all previous loans with FCC and is secured by our property on Niagara-on-the-Lake, Ontario. The outstanding balance at March 31, 2021 is $nil, and the facility bears interest of 3.45%, or the FCC prime rate plus 1.0%, and matures on September 3, 2024.

The revolving debt facility agreement with FCC includes affirmative, negative and financial covenants. As of March 31, 2021, we are in compliance with all covenants in the revolving debt facility agreement.

Further information regarding our debt issuances, including the conversion rights of the convertible senior notes, is included in Note 19 of the Financial Statements.

Contractual Obligations and Commitments

The table below presents information about our contractual obligations and commitments as of March 31, 2021, and the timing and effect that such obligations and commitments are expected to have on our liquidity and cash flows in future periods:

	Payments due by period				
(CDN $000's)	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
Long-term debt obligations	$ 1,546,067	$ 924	$ 601,842	$ 943,301	$ -
Interest payments on debt obligations	509,225	116,291	214,735	178,199	-
Operating leases[1]	81,160	13,312	22,882	18,803	26,163
Finance leases[1]	84,359	11,940	16,139	46,676	9,604
Purchase obligations	150,331	80,502	66,295	3,534	-
Other liabilities[2]	77,443	64,367	13,076	-	-
Other obligations[3]	63,443	19,343	31,292	12,808	-
	$ 2,512,028	$ 306,679	$ 966,261	$ 1,203,321	$ 35,767

[1] Refer to Note 32 of our Financial Statements for further information on our leases. Amounts include interest related to operating and finance leases of $7.4 million and $21.9 million, respectively.

[2] Refer to Note 20 of our Financial Statements for further information on our other liabilities.

[3] Includes future minimum royalty obligations, sponsorship agreements, and other commitments.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Year ended March 31, 2021

On February 23, 2021, we completed the RIV Arrangement with RIV Capital and RCC. Refer to “Recent Developments” above for a description of the RIV Arrangement.

Concurrent with the execution of the Proposal Agreement, on June 24, 2020, we entered into the Second Consent Agreement with the CBI Group. See Part I, Item 1, Business for additional information on these transactions.

Year ended March 31, 2020

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

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

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

Part 4 – Critical Accounting Policies and Estimates

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

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

Inventory valuation

Critical judgment. Inventory is valued at the lower of cost and net realizable value. The valuation of our inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involves determining whether there is excess, slow-moving or obsolete inventory on hand.

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

Impact if actual results differ from assumptions. If the assumptions around future demand for our inventory are more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

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

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

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

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

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

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

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

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

Impairment of indefinite lived intangible assets and goodwill

Critical estimates. Indefinite lived intangible assets and goodwill need to be tested for impairment annually at the measurement date of March 31 or sooner, if events or circumstances indicate that the carrying amount of an asset may not be recoverable. An entity may first perform a qualitative assessment of impairment, and a quantitative analysis is only required if the qualitative assessment is inconclusive.

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

Goodwill – we changed the structure of our internal management reporting in the fourth quarter of fiscal 2021, and accordingly, identified two operating and reportable segments: (i) global cannabis; and (ii) other consumer products. The reorganization of our reporting structure also changed the composition of our reporting units and required that goodwill be reassigned to the reporting units using a relative fair value allocation approach. Our reporting units with goodwill in the global cannabis segment include (i) cannabis operations; and (ii) C^3. Our reporting units with goodwill in the other consumer products segment include (i) Storz & Bickel; (ii) This Works; and (iii) BioSteel. At March 31, 2021, we performed our annual goodwill impairment analysis using the quantitative assessment. No indication of impairment was noted for any of our reporting units, as the estimated fair value of each our reporting units with goodwill exceeded their carrying value. The estimated fair value of our reporting units was determined using either the market valuation method or the income valuation method. The most significant assumptions used in connection with the impairment testing for reporting units valued using the income valuation method are (i) the discount rate, (ii) the expected long-term growth rate, and (iii) the annual cash flow projections.

Indefinite lived intangible assets – if a quantitative analysis is required, our acquired brand intangible assets are evaluated for impairment by comparing the carrying value of the intangible assets to their estimated fair value. The estimated fair value of the acquired brand intangible assets is calculated based on an income approach using the relief-from-royalty method. In the fourth quarter of fiscal 2021, the global cannabis segment recognized a $6.6 million impairment loss in connection with its recreational acquired brand intangible assets. Certain negative trends, including slower growth rates and increased competition, resulted in updated long-term financial forecasts indicating lower revenue and cash flow generation for the specific recreational acquired brand. This change in financial forecasts indicted it was more likely than not the fair value of our indefinite lived intangible asset associated with the licensed recreational acquired brand might be below its carrying value, and accordingly we performed a quantitative assessment for impairment. The most significant assumptions used in the relief-from-royalty method to determine the estimated fair value of intangible assets with indefinite lives are (i) the estimated royalty rate, (ii) the discount rate, (iii) the expected long-term growth rate, and (iv) the annual revenue projections.

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

Acreage financial instrument fair value measurement

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

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

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculation will be impacted. Information on the valuation technique and inputs used in determining fair values are disclosed in Note 26 of our Financial Statements.

Warrant derivative liability fair value measurement

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

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

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

TerrAscend Exchangeable Shares and warrants fair value measurement

Critical estimates. The TerrAscend Exchangeable Shares and warrants are measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. The valuation of the TerrAscend Exchangeable Shares is based on a put option pricing model and the valuation of the TerrAscend warrants is based on a Monte Carlo simulation model. We use judgment to make assumptions on the key input, being the probability and timing of U.S. legalization.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculation will be impacted. Information on the valuation technique and inputs used in determining fair values are disclosed in Note 26 of our Financial Statements.

Other fair value measurements

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

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

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculations will be impacted. Certain assumptions will have greater impact on the determination of fair value depending on the nature of the asset or liability. Information on the valuation techniques and inputs used in determining fair values are disclosed in Note 26 our Financial Statements.

Revenue recognition

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

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

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

Stock-based compensation

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

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

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

Income taxes

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

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

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

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

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

Foreign currency risk

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

A hypothetical 10% change in the U.S. dollar against the Canadian dollar compared to the exchange rate at March 31, 2021, would affect the carrying value of net assets by approximately $86.2 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income or loss. A hypothetical 10% change in the euro against the Canadian dollar compared to the exchange rate at March 31, 2021, would affect the carrying value of net assets by approximately $12.9 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income or loss.

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

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

Interest rate risk

Our cash equivalents and short-term investments are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. As at March 31, 2021, our cash and cash equivalents, and short-term investments, consisted of $1.9 billion, as compared to $1.3 billion at March 31, 2020, in interest rate sensitive instruments.

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

	Aggregate Notional Value		Fair Value		Decrease in Fair Value - Hypothetical 1% Rate Increase	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Convertible senior note	$ 600,000	$ 600,000	$ 687,414	$ 450,204	$ (8,010)	$ (11,490)
Fixed interest rate debt	3,872	5,255	N/A	N/A	N/A	N/A
Variable interest rate debt	891,677	9,956	N/A	N/A	N/A	N/A

Equity price risk

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

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

Information regarding the fair value of financial instrument assets and liabilities that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value is presented in Note 26 of the Financial Statements.