

CANOPY GROWTH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2022
(IN CANADIAN DOLLARS)

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Canopy Growth Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Canopy Growth Corporation and subsidiaries (the Company) as of March 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 31, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is the matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Fair value measurement of the liability arising from the Acreage financial instrument

As discussed in Notes 24 and 31 to the consolidated financial statements, the Company has an obligation to acquire certain shares of Acreage Holdings, Inc., ("Acreage") in return for a specified number of the Company's common shares, and an option, exercisable at its discretion, to acquire certain other Acreage shares for cash or common shares of the Company as the Company may determine. The obligation and the option (collectively, the "Acreage financial instrument") become effective upon the occurrence (or waiver by the Company) of specified changes in United States ("US") federal laws relating to the legalization of cannabis (the "Acreage Triggering Event"). The Acreage financial instrument is recorded at fair value through earnings in the consolidated financial statements at each reporting period. As of March 31, 2022, the Acreage financial instrument was recorded as a financial liability of \$47,000 thousand, with fair value changes of \$553,000 thousand recognized in other income (expense), net in the year ended March 31, 2022.

We identified the assessment of the fair value measurement of the liability arising from the Acreage financial instrument as a critical audit matter. There was a high degree of subjective auditor judgment in the evaluation of the key assumptions that were not directly observable, including the probability of different scenarios when determining the fair value. The key assumptions included the probability of each scenario, the number of the Company's shares to be issued, the probability and timing of US legalization, the estimated premium on US legalization, and the control premium.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control over the Company's key assumptions noted above. We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company's key assumptions noted above by assessing each scenario and the probability of each scenario being achieved for the resultant impact at the expected Acreage Triggering Event date. The evaluation was achieved by:

- performing sensitivity analyses on certain assumptions for each scenario
- evaluating the probability of each scenario, including the number of the Company's shares to be issued, and assessing the resulting impact on the fair value of the Acreage financial instrument
- evaluating the probability and timing of US legalization by monitoring political developments and the potential for relevant legislation in the US
- evaluating the assumption about the market impact of US legalization of cannabis and assessing the extent to which the anticipated legalization of cannabis is reflected in the Acreage share price
- comparing the control premium to third party evidence, including publicly available market data for comparable transactions.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Ottawa, Canada

May 31, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Canopy Growth Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Canopy Growth Corporation's and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three year period ended March 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated May 31, 2022 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired AV Cannabis Inc. and The Supreme Cannabis Company, Inc. (collectively, the Acquired Entities) during the year ended March 31, 2022, and management excluded the Acquired Entities from its assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2022. The Acquired Entities represent approximately 6% of total assets and 9% of total revenues of the consolidated financial statements of the Company as of and for the year ended March 31, 2022. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of the Acquired Entities.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report on Form 10-K under the section entitled "Item 9A. Controls and Procedures". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Ottawa, Canada
May 31, 2022

CANOPY GROWTH CORPORATION
CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars, except number of shares and per share data)

	March 31, 2022	March 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 776,005	\$ 1,154,653
Short-term investments	595,651	1,144,563
Restricted short-term investments	12,216	11,332
Amounts receivable, net	96,443	92,435
Inventory	204,387	367,979
Prepaid expenses and other assets	52,700	67,232
Total current assets	1,737,402	2,838,194
Other financial assets	800,328	708,167
Property, plant and equipment	942,780	1,074,537
Intangible assets	252,695	308,167
Goodwill	1,866,503	1,889,354
Other assets	15,342	5,061
Total assets	<u>\$ 5,615,050</u>	<u>\$ 6,823,480</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 64,270	\$ 67,262
Other accrued expenses and liabilities	75,278	100,813
Current portion of long-term debt	9,296	9,827
Other liabilities	64,054	106,428
Total current liabilities	212,898	284,330
Long-term debt	1,491,695	1,573,136
Deferred income tax liabilities	15,991	21,379
Liability arising from Acreage Arrangement	47,000	600,000
Warrant derivative liability	26,920	615,575
Other liabilities	190,049	107,240
Total liabilities	1,984,553	3,201,660
Commitments and contingencies		
Redeemable noncontrolling interest	36,200	135,300
Canopy Growth Corporation shareholders' equity:		
Common shares - \$nil par value; Authorized - unlimited number of shares; Issued - 394,422,604 shares and 382,875,179 shares, respectively	7,482,809	7,168,557
Additional paid-in capital	2,519,766	2,415,650
Accumulated other comprehensive loss	(42,282)	(34,240)
Deficit	(6,370,337)	(6,068,156)
Total Canopy Growth Corporation shareholders' equity	3,589,956	3,481,811
Noncontrolling interests	4,341	4,709
Total shareholders' equity	3,594,297	3,486,520
Total liabilities and shareholders' equity	<u>\$ 5,615,050</u>	<u>\$ 6,823,480</u>

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

CANOPY GROWTH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands of Canadian dollars, except number of shares and per share data)

	Years ended March 31,		
	2022	2021	2020
Revenue	\$ 582,218	\$ 607,198	\$ 439,626
Excise taxes	61,893	60,549	40,854
Net revenue	520,325	546,649	398,772
Cost of goods sold	713,379	479,689	430,456
Gross margin	(193,054)	66,960	(31,684)
Operating expenses			
Selling, general and administrative expenses	472,756	575,389	693,737
Share-based compensation	47,525	91,149	320,276
Expected credit losses on financial assets and related charges	-	109,480	-
Asset impairment and restructuring costs	369,339	534,398	623,266
Total operating expenses	889,620	1,310,416	1,637,279
Operating loss	(1,082,674)	(1,243,456)	(1,668,963)
Loss from equity method investments	(100)	(52,629)	(64,420)
Other income (expense), net	753,341	(387,876)	224,329
Loss before income taxes	(329,433)	(1,683,961)	(1,509,054)
Income tax recovery	8,948	13,141	121,614
Net loss	(320,485)	(1,670,820)	(1,387,440)
Net (loss) income attributable to noncontrolling interests and redeemable noncontrolling interest	(18,304)	74,100	(66,114)
Net loss attributable to Canopy Growth Corporation	<u>\$ (302,181)</u>	<u>\$ (1,744,920)</u>	<u>\$ (1,321,326)</u>
Basic and diluted loss per share	\$ (0.77)	\$ (4.69)	\$ (3.80)
Basic and diluted weighted average common shares outstanding	391,324,285	371,662,296	348,038,163
Comprehensive loss:			
Net loss	\$ (320,485)	\$ (1,670,820)	\$ (1,387,440)
Other comprehensive income (loss), net of income tax effect			
Fair value changes of own credit risk of financial liabilities	21,180	(100,170)	141,306
Foreign currency translation	(45,352)	(154,969)	85,498
Total other comprehensive income (loss), net of income tax effect	(24,172)	(255,139)	226,804
Comprehensive loss	(344,657)	(1,925,959)	(1,160,636)
Comprehensive income (loss) attributable to noncontrolling interests and redeemable noncontrolling interest	(18,304)	74,100	(66,114)
Comprehensive loss attributable to Canopy Growth Corporation	<u>\$ (326,353)</u>	<u>\$ (2,000,059)</u>	<u>\$ (1,094,522)</u>

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

CANOPY GROWTH CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of Canadian dollars)

	Common shares	Additional paid-in capital				Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
		Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest				
Balance at March 31, 2021	\$ 7,168,557	\$ 480,786	\$ 2,568,438	\$ (512,340)	\$ (121,234)	\$ (34,240)	\$ (6,068,156)	\$ 4,709	\$ 3,486,520
Other issuances of common shares and warrants	298,145	(30,457)	-	-	-	-	-	-	267,688
Replacement equity instruments from the acquisition of Supreme Cannabis	-	5,566	13,350	-	-	-	-	-	18,916
Exercise of Omnibus Plan stock options	8,855	(3,288)	-	-	-	-	-	-	5,567
Share-based compensation	-	46,686	-	-	-	-	-	-	46,686
Issuance and vesting of restricted share units	7,252	(7,252)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	82,003	-	-	17,097	99,100
Ownership changes relating to noncontrolling interests	-	-	-	-	-	-	-	839	839
Redemption of redeemable noncontrolling interest	-	-	-	2,617	(5,109)	-	-	-	(2,492)
Disposal of consolidated entities	-	-	-	-	-	16,130	-	-	16,130
Comprehensive loss	-	-	-	-	-	(24,172)	(302,181)	(18,304)	(344,657)
Balance at March 31, 2022	<u>\$ 7,482,809</u>	<u>\$ 492,041</u>	<u>\$ 2,581,788</u>	<u>\$ (509,723)</u>	<u>\$ (44,340)</u>	<u>\$ (42,282)</u>	<u>\$ (6,370,337)</u>	<u>\$ 4,341</u>	<u>\$ 3,594,297</u>

CANOPY GROWTH CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of Canadian dollars)

	Common shares	Additional paid-in capital				Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
		Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest				
Balance at March 31, 2020	\$ 6,373,544	\$ 517,741	\$ 2,638,951	\$ (501,403)	\$ (40,134)	\$ 220,899	\$ (4,323,236)	\$ 221,758	\$ 5,108,120
Other issuances of common shares and warrants	61,809	(33,953)	-	-	-	-	-	-	27,856
Exercise of warrants	315,699	-	(70,513)	-	-	-	-	-	245,186
Exercise of Omnibus Plan stock options	244,170	(87,273)	-	-	-	-	-	-	156,897
Share-based compensation	-	87,322	-	-	-	-	-	-	87,322
Issuance and vesting of restricted share units	3,051	(3,051)	-	-	-	-	-	-	-
Completion of plan of arrangement with RIV Capital	170,284	-	-	(10,976)	-	-	-	(313,243)	(153,935)
Changes in redeemable noncontrolling interest	-	-	-	-	(83,627)	-	-	18,077	(65,550)
Ownership changes relating to noncontrolling interests	-	-	-	39	2,527	-	-	4,017	6,583
Comprehensive (loss) income	-	-	-	-	-	(255,139)	(1,744,920)	74,100	(1,925,959)
Balance at March 31, 2021	<u>\$ 7,168,557</u>	<u>\$ 480,786</u>	<u>\$ 2,568,438</u>	<u>\$ (512,340)</u>	<u>\$ (121,234)</u>	<u>\$ (34,240)</u>	<u>\$ (6,068,156)</u>	<u>\$ 4,709</u>	<u>\$ 3,486,520</u>

CANOPY GROWTH CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of Canadian dollars)

	Common shares	Additional paid-in capital				Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
		Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest				
Balance at March 31, 2019	\$ 6,029,222	\$ 505,172	\$ 1,589,925	\$ (500,963)	\$ (2,110)	\$ (5,905)	\$ (835,118)	\$ 285,485	\$ 7,065,708
Other issuances of common shares and warrants	271,966	(272,234)	359	-	-	-	-	-	91
Exercise of warrants	932	-	(486)	-	-	-	-	-	446
Exercise of Omnibus Plan stock options	69,951	(28,538)	-	-	-	-	-	-	41,413
Share-based compensation	-	312,929	-	-	-	-	-	-	312,929
Issuance of replacement equity instruments	-	1,885	-	-	-	-	-	-	1,885
Issuance and vesting of restricted share units	1,473	(1,473)	-	-	-	-	-	-	-
CBI warrant modification	-	-	1,049,153	-	-	-	(2,166,792)	-	(1,117,639)
Changes in redeemable noncontrolling interest	-	-	-	-	(38,024)	-	-	(6,489)	(44,513)
Ownership changes relating to noncontrolling interests	-	-	-	(440)	-	-	-	8,876	8,436
Comprehensive income (loss)	-	-	-	-	-	226,804	(1,321,326)	(66,114)	(1,160,636)
Balance at March 31, 2020	<u>\$ 6,373,544</u>	<u>\$ 517,741</u>	<u>\$ 2,638,951</u>	<u>\$ (501,403)</u>	<u>\$ (40,134)</u>	<u>\$ 220,899</u>	<u>\$ (4,323,236)</u>	<u>\$ 221,758</u>	<u>\$ 5,108,120</u>

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

CANOPY GROWTH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Years ended March 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net loss	\$ (320,485)	\$ (1,670,820)	\$ (1,387,440)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment	76,247	70,914	73,716
Amortization of intangible assets	38,171	56,204	51,297
Share of loss on equity method investments	100	52,629	64,420
Share-based compensation	47,525	91,149	320,276
Asset impairment and restructuring costs	332,949	519,209	571,719
Expected credit losses on financial assets and related charges	-	109,480	-
Income tax recovery	(8,948)	(13,141)	(121,614)
Non-cash fair value adjustments	(866,739)	380,758	(103,027)
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Amounts receivable	3,741	(11,994)	20,979
Inventory	173,189	23,107	(33,952)
Prepaid expenses and other assets	24,472	77	(26,917)
Accounts payable and accrued liabilities	(35,844)	16,542	(11,222)
Other, including non-cash foreign currency	(10,189)	(89,843)	(190,870)
Net cash used in operating activities	<u>(545,811)</u>	<u>(465,729)</u>	<u>(772,635)</u>
Cash flows from investing activities:			
Purchases of and deposits on property, plant and equipment	(36,684)	(164,502)	(704,944)
Purchases of intangible assets	(11,429)	(9,639)	(16,957)
Proceeds on sale of property, plant and equipment	27,279	45,921	-
Proceeds on sale of intangible assets	-	18,337	-
Redemption (purchases) of short-term investments	545,991	(459,834)	1,427,482
Cash outflow on completion of RIV Arrangement	-	(152,801)	-
Net cash proceeds on sale of subsidiaries	118,149	-	-
Sale of (investments in) equity method investments	-	7,000	(5,135)
Investment in other financial assets	(379,414)	(44,721)	(129,590)
Investment in Acreage Arrangement	-	(49,849)	(395,190)
Loan advanced to Acreage Hempco	-	(66,995)	-
Net cash outflow on acquisition of subsidiaries	(14,947)	-	(498,838)
Other investing activities	(18,126)	(7,022)	(24,482)
Net cash provided by (used in) investing activities	<u>230,819</u>	<u>(884,105)</u>	<u>(347,654)</u>
Cash flows from financing activities:			
Proceeds from issuance of common shares and warrants	2,700	-	-
Proceeds from exercise of stock options	5,567	156,897	41,413
Proceeds from exercise of warrants	-	245,186	446
Issuance of long-term debt	-	893,160	14,761
Repayment of long-term debt	(50,763)	(15,619)	(114,953)
Other financing activities	(3,037)	(14,855)	1,172
Net cash (used in) provided by financing activities	<u>(45,533)</u>	<u>1,264,769</u>	<u>(57,161)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(18,123)</u>	<u>(63,458)</u>	<u>(204)</u>
Net decrease in cash and cash equivalents	<u>(378,648)</u>	<u>(148,523)</u>	<u>(1,177,654)</u>
Cash and cash equivalents, beginning of period	1,154,653	1,303,176	2,480,830
Cash and cash equivalents, end of period	<u>\$ 776,005</u>	<u>\$ 1,154,653</u>	<u>\$ 1,303,176</u>

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

CANOPY GROWTH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Years ended March 31,		
	2022	2021	2020
Supplemental disclosure of cash flow information			
Cash received during the period:			
Income taxes	\$ 1,299	\$ 4,068	\$ -
Interest	\$ 16,175	\$ 26,279	\$ 66,327
Cash paid during the period:			
Income taxes	\$ 2,641	\$ 22,769	\$ 5,460
Interest	\$ 119,249	\$ 25,649	\$ 25,472
Noncash investing and financing activities			
Additions to property, plant and equipment	\$ 1,408	\$ 9,962	\$ 44,573

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

CANOPY GROWTH CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of Canadian dollars)

1. DESCRIPTION OF BUSINESS

Canopy Growth Corporation is a publicly traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario. References in these consolidated financial statements to “Canopy Growth” or “the Company” refer to Canopy Growth Corporation and its subsidiaries.

The principal activities of the Company are the production, distribution and sale of a diverse range of cannabis and cannabinoid-based products for both adult recreational and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, which came into effect on October 17, 2018 and regulates both the medical and recreational cannabis markets in Canada. The Company has also expanded to jurisdictions outside of Canada where cannabis and/or hemp is federally lawful, permissible and regulated, and the Company, through its’ subsidiaries, operates in the United States, Germany, and certain other global markets. Additionally, the Company produces, distributes and sells a range of other consumer products globally, including vaporizers; beauty, skincare, wellness and sleep products; and sports nutrition beverages.

In the year ended March 31, 2020, the Company commenced an organizational and strategic review of its business which resulted in a restructuring of the Company’s global operations, including the closure of certain of the Company’s production facilities and other organizational and operational changes. The Company’s restructuring actions continued during the years ended March 31, 2021 and March 31, 2022. Please refer to Note 5 for further details regarding these restructuring actions.

On February 23, 2021, the Company completed a plan of arrangement with its partially-owned subsidiary RIV Capital Inc. (formerly Canopy Rivers Inc.) (“RIV Capital”) and its wholly-owned subsidiary, RIV Capital Corporation (formerly Canopy Rivers Corporation) (“RCC”). As a result of this transaction, the Company no longer controlled RIV Capital and derecognized RIV Capital’s consolidated assets and liabilities from its consolidated financial statements. Refer to Note 6 for a description of the plan of arrangement with RIV Capital.

2. BASIS OF PRESENTATION

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

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all entities in which the Company either has a controlling voting interest or is the primary beneficiary of a variable interest entity. All intercompany accounts and transactions have been eliminated on consolidation.

Variable interest entities

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

Equity method investments

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

Use of estimates

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency are recognized at exchange rates in effect on the date of the transactions. At each reporting date monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates applicable at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are recognized through net income (loss).

For the purposes of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates applicable at the balance sheet date. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in accumulated other comprehensive income (loss).

Cash equivalents and short-term investments

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Investments with maturities greater than 90 days but less than one year at the date of purchase are included in short-term investments.

The Company's investments in debt securities, which consist primarily of U.S. government securities and U.S. commercial paper, have been classified and accounted for using the fair value option. Unrealized gains and losses on debt securities are recognized in net income (loss). All other short-term investments are recorded at fair value with gains or losses recognized in net income (loss).

Inventory

Inventory consists of raw materials, supplies and consumables used in the inventory process, merchandise for sale, finished goods and work-in-process such as pre-harvested cannabis plants, by-products to be extracted, oils, gel capsules and edible products. Inventory is valued at the lower of cost and net realizable value. Costs include direct and indirect labor, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, age of inventory, historical experience and application of the specific identification method. The Company classifies cannabis inventory as a current asset, although part of such inventory, because of the duration of the cultivation, drying, and conversion process, ordinarily would not be utilized within one year.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or components of property, plant and equipment. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in net income (loss).

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, which are as follows:

	<u>Years</u>
Buildings and greenhouses	20 - 50
Production and warehouse equipment	5 - 30
Leasehold improvements	3 - 20
Office and lab equipment	3 - 10
Computer equipment	3 - 10

Estimates of useful life and residual value, and the method of depreciation, are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation method are no longer appropriate. Any changes are accounted for on a prospective basis as a change in estimate.

Intangible assets

Finite lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over the following terms:

	Years
Intellectual property	5 - 15
Distribution channel	5 - 11
Operating licenses	8
Software and domain names	3 - 5
Brands	2 - 5

The estimated useful life and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill and indefinite lived intangible assets

Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company reviews goodwill and indefinite lived intangible assets annually for impairment in the fourth quarter, or sooner, if events or circumstances indicate that the carrying amount of an asset may not be recoverable. The Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If factors indicate this is the case, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill.

Until the three months ended March 31, 2021, the Company had two operating segments, which were also its reportable segments: (i) cannabis, hemp and other consumer products; and (ii) RIV Capital. The goodwill associated with all acquisitions was allocated to the one reporting unit within the cannabis, hemp and other consumer products operating and reportable segment, as this reporting unit held the acquired entities. The Company changed the structure of its internal management reporting in the fourth quarter of the year ended March 31, 2021 (refer to Note 35), and accordingly, identified two operating and reportable segments: (i) global cannabis; and (ii) other consumer products. The reorganization of the Company's reporting structure changed the composition of its reporting units and required that goodwill be reassigned to the reporting units using a relative fair value allocation approach. Assets and liabilities were also reassigned to the reporting units affected based on the assets that would be employed in, or the liabilities related to, the operations of each reporting unit, and the assets or liabilities that would be considered in determining the fair value of each reporting unit. After this reorganization, the Company's reporting units with goodwill in the global cannabis segment included (i) cannabis operations, and (ii) C³ Cannabinoid Compound Company GmbH ("C³"); and in the other consumer products segment included (i) Storz & Bickel, (ii) This Works, and (iii) BioSteel.

In the three months ended March 31, 2022, the Company further changed the composition of its reporting units within the global cannabis segment as a result of (i) the completion of the Company's divestiture (the "C³ Divestiture") of its interest in C³ (see Note 30); and (ii) a strategic shift in the Company's KeyLeaf Life Sciences ("KeyLeaf") business to focus on non-cannabis extraction activities. Accordingly, goodwill was reassigned to the KeyLeaf reporting unit from the cannabis operations reporting unit, using the relative fair value allocation approach. There were no changes to the reporting units included in the Company's other consumer products segment in the year ended March 31, 2022.

The Company performed its annual goodwill impairment test in the fourth quarter of the year ended March 31, 2022, and recognized an impairment loss in relation to its KeyLeaf and This Works reporting units. Refer to Note 15 for further details.

Indefinite lived intangible assets are comprised of certain acquired brand names and operating licenses, which are carried at cost less accumulated impairment losses. The Company reviews the classification each reporting period to decide whether the assessment made about the useful life as indefinite or finite is still appropriate. Any change is accounted for on a prospective basis as a change in estimate.

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets, including property, plant and equipment and finite lived intangible assets whenever events or changes in circumstances indicate a potential impairment exists. The Company groups assets at the lowest level for which cash flows are separately identifiable, referred to as an asset group. When indicators of potential impairment are present the Company prepares a projected undiscounted cash flow analysis for the respective asset or asset group. If the sum of the undiscounted cash flow is less than the carrying value of the asset or asset group, an impairment loss is recognized equal to the excess of the carrying value over the fair value, if any.

Restricted short-term investments

The Company considers short-term investments to be restricted when withdrawal or general use is legally restricted. The Company records restricted short-term investments as current or non-current in the consolidated balance sheets based on the classification of the underlying securities.

Redeemable noncontrolling interest

Redeemable noncontrolling interest is presented as mezzanine equity. The balance of the redeemable noncontrolling interest is reported at the greater of the initial carrying amount adjusted for the redeemable noncontrolling interest's share of earnings or losses and other comprehensive income or loss, or its estimated redemption value. The Company adjusts the carrying amount of the redeemable interest to the redemption amount each period, assuming the interest was redeemable at the balance sheet date with changes in fair value recorded in equity.

Revenue recognition

The Company's cannabis revenue is comprised of sales of (i) recreational cannabis products in Canada, either to government agencies or third-party retailers under a "business-to-business" wholesale model, or directly to consumers through the Company's network of retail stores and e-commerce platforms; and (ii) medical and other cannabis products in Canada and certain other countries. The Company's other revenue is comprised of sales of vaporizers, beauty, wellness and sleep products, sports nutrition beverages, merchandise, and revenue from other sources.

The Company's revenue-generating activities have a single performance obligation and revenue is recognized at the point in time when control of the product transfers and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the customer contract. In accordance with contracts with certain of the Company's Canadian provincial customers, the Company fulfills its obligations only when the customer transfers control of the product to the end consumer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the sale of the Company's product. Certain of the Company's customer contracts, most notably those with the Canadian provincial and territorial agencies, may provide the customer with a right of return. In certain circumstances the Company may also provide a retrospective price adjustment to a customer. These items give rise to variable consideration, which is recognized as a reduction of the transaction price based upon the expected amounts of the product returns and price adjustments at the time revenue for the corresponding product sale is recognized. The determination of the reduction of the transaction price for variable consideration requires that the Company make certain estimates and assumptions that affect the timing and amounts of revenue recognized. The Company estimates this variable consideration by taking into account factors such as historical information, current trends, forecasts, provincial and territorial inventory levels, availability of actual results and expectations of demand. The Company recognizes a liability for sales refunds within other current liabilities, and an asset for the value of inventory which is expected to be returned is recognized within prepaid expenses and other assets on the consolidated balance sheets.

Sales of products are for cash or otherwise agreed-upon credit terms. The Company's payment terms vary by location and customer; however, the time period between when revenue is recognized and when payment is due is not significant. The Company estimates and reserves for its bad debt exposure based on its experience with past due accounts and collectability, write-off history, the aging of accounts receivable and an analysis of customer data.

Cost of goods sold

The types of costs included in cost of goods sold are raw materials, packaging materials, manufacturing costs, plant facilities administrative support and overheads, and freight and warehouse costs, including distribution costs.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$104,221, \$72,377 and \$78,474 in the years ended March 31, 2022, 2021, and 2020, respectively.

Research and development

Research and development costs are expensed as incurred. Research and development expenses totaled \$32,344, \$57,582, and \$61,812 in the years ended March 31, 2022, 2021, and 2020, respectively.

Asset impairment and restructuring costs

Asset impairment and restructuring costs consist of property, plant and equipment, intangible asset and goodwill impairment charges, asset abandonment costs, contractual and other settlement costs, and employee-related and other restructuring costs recognized in connection with (i) the restructuring of the Company's global operations that commenced in the year ended March 31, 2020 and continued during the years ended March 31, 2021 and March 31, 2022; and (ii) other impairments. When a long-lived asset is abandoned its carrying amount is adjusted to its salvage value, if any. In determining the salvage value of our long-lived assets, management considers information from manufacturers, historical data, and industry standards. In certain cases, management may obtain third party appraisals to estimate salvage value.

Share-based compensation

The Company accounts for share-based compensation using the fair value method. With the exception of a limited number of share-based awards subject to market-based performance conditions that are valued using the Monte Carlo simulation model, the fair value of awards granted is estimated at the date of grant using the Black-Scholes model. The share-based compensation expense is based on the fair value of share-based awards at the grant date and the expense is recognized over the related service period following a graded vesting expense schedule. Forfeitures are estimated at the time of grant and revised in subsequent periods if there is a difference in actual forfeitures and the estimate. Effective April 1, 2018, the Company early-adopted ASU 2018-07 – *Compensation - Stock Compensation (Topic 718)*, which among other items, aligns the accounting for non-employee awards with that of employee awards.

For awards with service and/or non-market based performance conditions, the amount of compensation expense recognized is based on the number of awards expected to vest, reflecting estimated expected forfeitures, and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date. Restricted stock units ("RSUs") that are settled in cash or common stock at the election of the employee are remeasured to fair value at the end of each reporting period until settlement. This fair value is based on the closing price of the Company's common shares on the last business day before each period end.

Income taxes

Income taxes are comprised of current and deferred taxes. These taxes are accounted for using the liability method. Current tax is recognized in connection with income for tax purposes, unrealized tax benefits and the recovery of tax paid in a prior period and measured using the enacted tax rates and laws applicable to the taxation period during which the income for tax purposes arose. Deferred tax is recognized on the difference between the carrying amount of an asset or a liability, as reflected in the financial statements, and the corresponding tax base, used in the computation of income for tax purposes ("temporary difference") and measured using the enacted tax rates and laws as at the balance sheet date that are expected to apply to the income that the Company expects to arise for tax purposes in the period during which the difference is expected to reverse. Management assesses the likelihood that a deferred tax asset will be realized and a valuation allowance is provided to the extent that it is more likely than not that all or a portion of a deferred tax asset will not be realized. The determination of both current and deferred taxes reflects the Company's interpretation of the relevant tax rules and judgement.

An unrealized tax benefit may arise in connection with a period that has not yet been reviewed by the relevant tax authority. A change in the recognition or measurement of an unrealized tax benefit is reflected in the period during which the change occurs.

Income taxes are recognized in the consolidated statement of operations, except when they relate to a pre-tax item that is recognized in other comprehensive income (loss) or directly in equity, respectively. Income taxes recognized in other comprehensive income (loss) or equity are reclassified to the consolidated statement of operations if the corresponding pre-tax item is reclassified to the consolidated statement of operations. Where income taxes arise from the initial accounting for a business combination, these are embedded in the pre-tax accounting for the business combination.

Interest and penalties in respect of income taxes are not recognized in the consolidated statement of operations as a component of income taxes but as a component of interest expense.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing reported net income (loss) by the weighted average number of common shares outstanding for the reporting period. Diluted earnings (loss) per share is computed by dividing earnings (loss) by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares of the Company during the reporting periods. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of warrants, vested share options, RSUs and the incremental shares issuable upon conversion of the convertible senior notes. As at March 31, 2022, March 31, 2021, and March 31, 2020, all instruments were anti-dilutive.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company calculates the estimated fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models.

For other financial assets measured at fair value that earn interest, the Company has elected to present interest income as part of the fair value change in other income (expense), net.

COVID-19 estimation uncertainty

In March 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Company's operations during the years ended March 31, 2022, March 31, 2021 and March 31, 2020. The production and sale of cannabis have been recognized as essential services in Canada and across Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

4. NEW ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. Canopy Growth prospectively adopted ASU 2019-12 as of April 1, 2021. There was no material impact of adopting ASU 2019-12 on the consolidated financial statements.

Investments-Equity Securities

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. ASU 2020-01 clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The Company adopted ASU 2020-01 as of April 1, 2021. There was no impact of adopting ASU 2020-01 on the consolidated financial statements.

Accounting Guidance not yet adopted

Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. In addition, ASU 2020-06 enhances information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share guidance and amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted after December 15, 2020. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2020-06 effective April 1, 2022.

5. ASSET IMPAIRMENT AND RESTRUCTURING COSTS

Year Ended March 31, 2022

Restructuring and other charges

In the year ended March 31, 2022, the Company recorded charges associated with operational changes resulting from its continuing strategic review of its business. The Company recorded charges in the three months ended June 30, 2021 related to a strategic review of the business conducted as a result of acquisitions completed in that period (see Note 29), which resulted in the closure of the Company's Niagara-on-the-Lake, Ontario and Langley, British Columbia facilities. In the three months ended March 31, 2022, the Company recorded further charges related to further restructuring actions aligned to its strategic review of the business, which included (i) reducing cultivation costs in the Canadian recreational cannabis business through cultivation-related efficiencies

and facility improvements; (ii) implementing a flexible manufacturing platform, including contract manufacturing for certain product formats; (iii) right-sizing indirect costs and generating efficiencies across the Company's supply chain and procurement; (iv) aligning general and administrative costs with short-term business expectations; and (v) further streamlining the organization to drive process-related efficiencies.

The Company also recorded charges associated with changes in the estimated fair value of certain of the Company's Canadian sites that were closed in December 2020, and costs associated with the closure of those sites. Refer to discussion below for restructuring actions in the year ended March 31, 2021.

The Company recorded total inventory write-downs and associated restructuring charges of \$123,669 in the year ended March 31, 2022, related primarily to (i) the aforementioned strategic changes to our business, including the shift to a contract manufacturing model for certain product formats and the closure of certain of our production facilities; and (ii) amounts deemed excess based on current and projected market demand.

As a result of these actions, the Company recognized aggregate pre-tax charges of \$429,810 in the year ended March 31, 2022, and reduced headcount by approximately 250 full-time positions.

Other impairments

Goodwill

The Company performed its annual goodwill impairment test in the three months ended March 31, 2022, and recognized impairment losses totaling \$40,748, of which \$22,355 relates to the KeyLeaf reporting unit and \$18,393 relates to the This Works reporting unit. Refer to Note 15 for further details.

Intangible assets

In the year ended March 31, 2022, the Company recognized asset impairment charges totaling \$26,065 related to certain of its acquired brands and operating licenses. These impairment charges were identified by the Company during its annual impairment testing process, which was conducted in the three months ended March 31, 2022, and reflected in asset impairment and restructuring costs.

These other impairment charges related to goodwill and intangible assets are in addition to the restructuring and impairment costs described above and which are associated with the Company's restructuring actions.

A summary of the pre-tax charges totaling \$496,623 recognized in connection with the Company's restructuring actions and other impairments is as follows:

	Year ended March 31, 2022		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs and other charges	\$ 123,669	\$ -	\$ 123,669
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	224,726	-	224,726
Impairment and abandonment of intangible assets	41,404	26,065	67,469
Impairment of goodwill	-	40,748	40,748
Contractual and other settlement obligations	6,610	-	6,610
Employee-related and other restructuring costs	29,786	-	29,786
Asset impairment and restructuring costs	302,526	66,813	369,339
Acceleration of share-based compensation expense related to acquisition milestones	3,615	-	3,615
Share-based compensation expense	3,615	-	3,615
Total restructuring, asset impairments and related costs	\$ 429,810	\$ 66,813	\$ 496,623

Costs recorded in cost of goods sold

In the year ended March 31, 2022, the Company recognized charges of \$123,669 relating to inventory write-downs and associated restructuring charges, as described above.

Costs recorded in operating expenses

The Company recognized asset impairment and restructuring costs of \$302,526 in the year ended March 31, 2022 as a result of the restructuring actions described above. The Company impaired and abandoned certain production facilities and brand and intellectual property intangible assets, and a loss totaling \$266,130 was recognized in the year ended March 31, 2022, representing the difference between the net book value of the long-lived assets and their estimated salvage value or fair value. Of this loss, \$224,726 related to property, plant and equipment, and related primarily to buildings and greenhouses, and production and warehouse equipment, and \$41,404 related to brand and intellectual property intangible assets.

In the year ended March 31, 2022, the Company recognized contractual and other settlement obligations of \$6,610 and employee-related and other restructuring costs of \$29,786.

In the year ended March 31, 2022, as a result of the restructuring actions described above, the Company accelerated share-based compensation expense relating to the unvested milestones associated with acquisitions completed in prior fiscal years. Accordingly, the Company recognized share-based compensation expense of \$3,615 in the year ended March 31, 2022.

Year Ended March 31, 2021

Restructuring and other charges

In the three months ended June 30, 2020, the Company completed certain of the restructuring actions that had commenced in the year ended March 31, 2020 (refer to discussion below for restructuring actions in the year ended March 31, 2020), including completing the exit of the Company's operations in South Africa and Lesotho, and the Company recorded final adjustments related to changes in certain estimates recorded at March 31, 2020. In addition, the Company incurred additional costs related primarily to the rationalization of its marketing organization in April 2020. In the three months ended September 30, 2020, the Company recorded (i) adjustments related to changes in the estimated fair value of certain of its Canadian production facilities from March 31, 2020, and (ii) charges related to rationalizing certain research and development activities.

In December 2020, as the partial outcome of an ongoing end-to-end strategic review of its operations, the Company announced a series of Canadian operational changes designed to streamline its operations and further improve its gross margins. The Company has ceased operations at its sites in St. John's, Newfoundland and Labrador; Fredericton, New Brunswick; Edmonton, Alberta; Bowmanville, Ontario; as well as its outdoor cannabis grow operations in Saskatchewan. As a result of these restructuring actions, the Company reduced headcount by approximately 220 full-time positions, and abandoned or impaired certain of its production facilities and intangible assets. Additionally, the Company (i) completed the sale of its production facilities in Aldergrove and Delta, British Columbia in December 2020 and January 2021, respectively, for combined proceeds of \$40,650; and (ii) recorded additional charges related to the shifting of the Company's strategy in Latin America, which the Company commenced in the three months ended March 31, 2020.

In addition to recording adjustments associated with changes in certain estimates related to the closure of its Canadian production facilities, in the three months ended March 31, 2021, the Company recognized costs associated with the closure of the production facilities, and rationalizing certain licensing arrangements. This included (i) the impairment of the Company's equity method investment in More Life in the amount of \$10,300; (ii) the difference between the termination payment made by the Company to More Life, and the remaining minimum royalty obligations owing to More Life that were derecognized (refer to Note 29(d)); and (iii) charges associated with terminating a licensing agreement with a third party (which included derecognizing the remaining minimum royalty obligations owing to the third party in the amount of \$18,810).

The Company recorded total inventory write-downs of \$25,985 in the year ended March 31, 2021 related to the closure of certain of its Canadian and international production facilities.

As a result of these actions the Company recognized aggregate pre-tax charges of \$564,049 in the year ended March 31, 2021.

Other impairments

In the year ended March 31, 2021, the Company recognized licensed brand intangible asset impairment charges totaling \$6,634, which were identified during its annual impairment testing process and reflected in asset impairment and restructuring costs. These other impairment charges are in addition to the restructuring and impairment costs described above and associated with the Company's restructuring actions.

A summary of the pre-tax charges totaling \$570,683 recognized in connection with the Company's restructuring actions and other impairments 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

Costs recorded in cost of goods sold

In the year ended March 31, 2021, the Company recognized charges of \$25,985 relating to inventory write-downs associated with its restructuring activities, as described above.

Costs recorded in operating expenses

The Company recognized asset impairment and restructuring costs of \$527,764 in the year ended March 31, 2021 as a result of the restructuring actions described above.

As a result of the restructuring actions described above the Company impaired and abandoned certain production facilities, and operating license intangible assets. A loss totaling \$481,259 was recognized in the year ended March 31, 2021 representing the difference between the net book value of the long-lived assets and their estimated salvage value or fair value. Of this loss, \$426,748 related to property, plant and equipment and \$54,511 related to facility operating license intangible assets. The losses relating to property, plant and equipment were primarily attributable to buildings and greenhouses, and production and warehouse equipment.

In the year ended March 31, 2021, the Company recognized contractual and other settlement obligations of \$22,352 and employee-related and other restructuring costs of \$24,153, which included costs associated with the remediation of damages caused by the fire at the Delta facility in November, the closure of the Canadian facilities as described above, and the sale of the British Columbia facilities.

Year Ended March 31, 2020

Restructuring and other charges

In the three months ended March 31, 2020, the Company commenced an organizational and strategic review of its business which resulted in the following restructuring actions designed to improve organizational focus, streamline operations and align the Company's production capability with projected demand: (i) the closure of certain of the Company's greenhouses as they are no longer essential to our Canadian cannabis cultivation footprint; (ii) exiting non-strategic geographies, including South Africa and Lesotho and the Company's hemp farming operations in New York, and shifting the Company's strategy in Colombia; and (iii) rationalizing certain marketing and research and development activities. The Company recorded a write-down of inventory in the amount of \$55,890 related to these restructuring actions, as well as additional amounts totaling \$76,199 deemed excess based on current and projected market demand.

As a result of these actions the Company recognized aggregate pre-tax charges of \$742,929 in the year ended March 31, 2020 and reduced headcount by approximately 600 full-time positions.

Other impairments

In the year ended March 31, 2020, the Company recognized contractual and other settlement obligations and brand and license impairment charges totaling \$60,020, which were identified during its annual impairment testing process. These charges are reflected in asset impairment and restructuring costs. Additionally, the Company recognized impairment charges relating to certain of its equity method investments totaling \$40,326. These charges are recorded in other income (expense), net within the consolidated statements of

operations. These other impairment charges are in addition to the restructuring and impairment costs described above and associated with the Company's restructuring actions.

A summary of the pre-tax charges totaling \$843,275 recognized in connection with the Company's restructuring actions and other impairments is as follows:

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

Costs recorded in cost of goods sold

In the year ended March 31, 2020, the Company recognized charges of \$132,089 relating to restructuring charges and inventory write-downs, as described above.

Costs recorded in operating expenses

The Company recognized asset impairment and restructuring costs of \$563,246 in the year ended March 31, 2020 as a result of the restructuring actions described above.

As a result of the restructuring actions described above the Company impaired and abandoned certain production facilities, operating licenses and other intangible assets. A loss totaling \$527,951 was recognized in the year ended March 31, 2020 representing the difference between the net book value of the long-lived assets and their estimated salvage value or fair value. Of this loss, \$334,964 related to property, plant and equipment and \$192,987 related to brand, intellectual property and license intangible assets. The losses relating to property, plant and equipment were primarily attributable to buildings and greenhouses, and production and warehouse equipment.

In the year ended March 31, 2020, the Company recognized contractual and other settlement obligations of \$18,712 and employee-related and other restructuring costs of \$16,583.

In the year ended March 31, 2020, as a result of the restructuring of our operations in Colombia and Lesotho, the Company accelerated share-based compensation expense relating to the unvested milestones associated with the acquisitions of Spectrum Cannabis Colombia S.A.S. ("Spectrum Colombia"), Canindica Capital Ltd. ("Canindica"), and DaddyCann Lesotho PTY Limited ("DCL") in the year ended March 31, 2019. Accordingly, the Company recognized share-based compensation expense of \$32,694 in the year ended March 31, 2020.

6. PLAN OF ARRANGEMENT WITH RIV CAPITAL

On December 21, 2020, the Canopy Growth entered into an arrangement agreement (the "RIV Arrangement Agreement") with its wholly-owned subsidiary The Tweed Tree Lot Inc. ("Tweed NB"), RIV Capital and its wholly-owned subsidiary RCC, pursuant to which Canopy Growth 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 Canopy Growth in accordance with 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, Canopy Growth increased its conditional ownership interest in TerrAscend Corp. (“TerrAscend”) through the acquisition of (i) 19,445,285 exchangeable shares in the capital of TerrAscend (the “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 Canopy Growth 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, Canopy Growth 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 Canopy Growth’s 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 exchange for the foregoing, Canopy Growth (i) surrendered 36,468,318 Class B multiple voting shares (“MVS”) and 15,223,938 Class A subordinate voting shares (“SVS”) in the capital of RIV Capital; (ii) made a cash payment to RCC of \$115,000; and (iii) issued 3,647,902 Canopy Growth common shares to RCC. As a result, following completion of the RIV Arrangement, Canopy Growth no longer had any equity, debt or other interest in RIV Capital, and no longer had any representation on the RIV Capital board of directors.

Following completion of the RIV Arrangement, Canopy Growth now owns 38,890,570 TerrAscend Exchangeable Shares, an aggregate of 22,474,130 common share purchase warrants in the capital of TerrAscend (the “TerrAscend warrants”) and is deemed to own an aggregate of 1,072,450 common shares of TerrAscend that are subject to an option agreement entered into in January 2021 (the “TerrAscend Option”). Canopy Growth beneficially owns, and exercise control or direction over approximately 15% of the issued and outstanding TerrAscend common shares on a fully-diluted basis.

Following this transaction, Canopy Growth no longer controls RIV Capital, and Canopy Growth derecognized the consolidated assets and liabilities of RIV Capital from its consolidated financial statements at their carrying amounts. The derecognized assets and liabilities on February 23, 2021, were as follows:

Acquired assets	
TerrAscend Exchangeable Shares	\$ 291,500
TerrAscend warrants	32,000
Preferred shares in Vert Mirabel	22,600
Settlement of Tweed NB obligations to RCC	15,000
TerrAscend loan	10,000
Common shares in Vert Mirabel	9,075
Total acquired assets	\$ 380,175
Consideration paid in shares	(170,284)
Consideration paid in cash	(115,000)
	<u>\$ 94,891</u>
Derecognition of RIV Capital net assets	
Cash and cash equivalents	\$ 37,801
Amounts receivable, net	4,327
Prepaid expenses and other assets	995
Equity method investments	5,114
Other financial assets	417,256
Property, plant and equipment	729
Intangible assets	86
Accounts payable	(22,038)
Other accrued expenses and liabilities	(1,703)
Other current liabilities	(32,653)
Other long-term liabilities	(303)
Noncontrolling interests and other	(315,144)
	<u>\$ 94,467</u>
Gain on completion of RIV Arrangement	<u>\$ 424</u>

The gain calculated on the derecognition of RIV Capital’s assets and liabilities is the difference between the carrying amounts of the derecognized assets and liabilities of RIV Capital and the fair value of the consideration transferred, being the cash payment made to RCC in the amount of \$115,000, the fair value of the Canopy Growth common shares issued to RCC, and the assets acquired.

7. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	March 31, 2022	March 31, 2021
Cash	\$ 470,682	\$ 436,588
Cash equivalents	305,323	718,065
	<u>\$ 776,005</u>	<u>\$ 1,154,653</u>

8. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

	March 31, 2022	March 31, 2021
Term deposits	\$ 319,092	\$ 463,824
Government securities	22,253	136,620
Asset-backed securities	21,905	16,342
Commercial paper and other	232,401	527,777
	<u>\$ 595,651</u>	<u>\$ 1,144,563</u>

The amortized cost of short-term investments at March 31, 2022 is \$599,862 (March 31, 2021 – \$1,145,364).

9. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

	March 31, 2022	March 31, 2021
Accounts receivable, net	\$ 78,059	\$ 67,106
Indirect taxes receivable	7,524	8,281
Interest receivable	4,406	5,140
Other receivables	6,454	11,908
	<u>\$ 96,443</u>	<u>\$ 92,435</u>

Included in the accounts receivable, net balance at March 31, 2022 is an allowance for doubtful accounts of \$4,764 (March 31, 2021 – \$1,411).

10. INVENTORY

The components of inventory are as follows:

	March 31, 2022	March 31, 2021
Raw materials, packaging supplies and consumables	\$ 26,821	\$ 55,554
Work in progress	65,245	223,652
Finished goods	112,321	88,773
	<u>\$ 204,387</u>	<u>\$ 367,979</u>

In the year ended March 31, 2022, the Company recorded write-downs related to inventory in cost of goods sold of \$237,147 (year ended March 31, 2021 – \$79,859), including charges of \$116,770 (year ended March 31, 2021 – \$25,985) associated with the strategic review, as described in Note 5.

11. PREPAID EXPENSES AND OTHER ASSETS

The components of prepaid and other assets are as follows:

	March 31, 2022	March 31, 2021
Prepaid expenses	\$ 23,041	\$ 28,349
Deposits	10,145	18,316
Prepaid inventory	449	1,496
Other assets	19,065	19,071
	<u>\$ 52,700</u>	<u>\$ 67,232</u>

12. OTHER FINANCIAL ASSETS

The following tables outline changes in other financial assets. Additional details on how the fair value of significant investments are calculated are included in Note 24.

Entity	Instrument	Balance at March 31, 2021	Additions	Fair value changes	Foreign currency translation adjustments	Interest income	Exercise of options / disposal of shares	Balance at March 31, 2022
TerrAscend Exchangeable Shares	Exchangeable shares	\$ 385,000	\$ -	\$ (156,000)	\$ -	\$ -	\$ -	\$ 229,000
TerrAscend Canada - October 2019	Term loan / debenture	10,240	-	835	-	(795)	-	10,280
TerrAscend Canada - March 2020	Term loan / debenture	56,330	-	(1,528)	-	(4,912)	-	49,890
Arise Bioscience	Term loan / debenture	13,077	-	308	(42)	-	-	13,343
TerrAscend - October 2019	Warrants	17,250	-	(13,520)	-	-	-	3,730
TerrAscend - March 2020	Warrants	152,910	-	(92,170)	-	-	-	60,740
TerrAscend - December 2020	Warrants	13,240	-	(9,780)	-	-	-	3,460
TerrAscend	Option	10,600	-	(4,300)	-	-	-	6,300
Wana	Option	-	442,227	(74,639)	4,755	-	-	372,343
Acreage Hempco ¹	Debenture	27,448	-	5,337	(94)	(3,867)	-	28,824
Other - at fair value through net income (loss)	Various	14,887	6,457	(10,652)	(204)	-	(92)	10,396
Other - classified as held for investment	Loan receivable	7,185	5,000	-	-	-	(163)	12,022
		<u>\$ 708,167</u>	<u>\$ 453,684</u>	<u>\$ (356,109)</u>	<u>\$ 4,415</u>	<u>\$ (9,574)</u>	<u>\$ (255)</u>	<u>\$ 800,328</u>

¹Refer to Note 31 for information regarding Acreage Hempco.

Entity	Instrument	Balance at March 31, 2020	Additions	Fair value changes	Foreign currency translation adjustments	Allowance for expected credit losses	Exercise of options / disposal of shares / repayments	Derecognition of RIV Capital ¹	Balance at March 31, 2021
TerrAscend Exchangeable Shares	Exchangeable shares	\$ 47,000	\$ -	\$ 338,000	\$ -	\$ -	\$ -	\$ -	\$ 385,000
TerrAscend Canada - October 2019	Term loan / debenture	9,520	8,579	(7,859)	-	-	-	-	10,240
TerrAscend Canada - March 2020	Term loan / debenture	44,300	-	16,942	-	-	(4,912)	-	56,330
Arise Bioscience	Term loan / debenture	-	11,758	1,489	(170)	-	-	-	13,077
TerrAscend - October 2019	Warrants	804	4,315	12,131	-	-	-	-	17,250
TerrAscend - March 2020	Warrants	24,200	-	128,710	-	-	-	-	152,910
TerrAscend - December 2020	Warrants	-	13,720	(480)	-	-	-	-	13,240
TerrAscend	Option	-	13,445	(2,845)	-	-	-	-	10,600
Acreage Hempco ²	Debenture	-	66,995	(37,026)	(2,521)	-	-	-	27,448
SLANG	Warrants	3,500	-	5,900	-	-	-	-	9,400
PharmHouse ³	Loan receivable	40,000	-	-	-	(40,000)	-	-	-
ZeaKal	Shares	14,186	-	(1,486)	-	-	-	(12,700)	-
Agripharm	Royalty interest	12,600	-	(7,200)	-	-	-	(5,400)	-
Greenhouse	Convertible debenture	10,517	-	(4,117)	-	-	(1,300)	(5,100)	-
Other - at fair value through net income (loss)	Various	28,478	11,251	(7,052)	-	-	(4,234)	(22,956)	5,487
Other - classified as held for investment	Loan receivable	14,148	11,106	-	-	(12,956)	(5,113)	-	7,185
		<u>\$ 249,253</u>	<u>\$ 141,169</u>	<u>\$ 435,107</u>	<u>\$ (2,691)</u>	<u>\$ (52,956)</u>	<u>\$ (15,559)</u>	<u>\$ (46,156)</u>	<u>\$ 708,167</u>

¹Refer to Note 6 for information regarding the completion of the plan of arrangement with RIV Capital.

²Refer to Note 31 for information regarding Acreage Hempco.

³Refer to Note 26 for information regarding PharmHouse.

Wana

On October 14, 2021, the Company and Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, “Wana” and each, a “Wana Entity”) entered into definitive agreements (the “Wana Agreements”) providing the Company with the right, upon the occurrence or waiver (at the Company’s discretion) of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana, or to remove the regulation of such activities from the federal laws of the United States (the “Triggering Event”), to acquire 100% of the outstanding membership interests of Wana. Wana manufactures and sells gummies in the state of Colorado and licenses its intellectual property to partners, who manufacture, distribute, and sell Wana-branded gummies across the United States and Canada.

The Wana Agreements are structured as three separate option agreements whereby the Company has a call option (the “Call Option”) to acquire 100% of the membership interests in each Wana Entity. As consideration for entering into the Wana Agreements, the Company made an upfront cash payment (the “Upfront Payment”) in the aggregate amount of \$368,067 (US\$297,500). Upon the Company’s exercise of its right to acquire Wana, the Company will make payments equal to 15% of the fair market value of Wana at the time the options are exercised (the “Call Option Payments”). As additional consideration for the right to acquire Wana, the Company expects to make additional deferred payments (the “Deferred Payments”) in respect of Wana as of the 2.5- and 5-year anniversary of the Upfront Payment, computed based on a pre-determined contractual formula as follows:

- Deferred Payment 1: 25% of the amount computed as the estimated fair value of Wana at the 2.5-year anniversary, less (i) the Upfront Payment, (ii) Wana debt, and (iii) certain other deductions; plus Wana cash, all at the 2.5-year anniversary.
- Deferred Payment 2: 25% of the amount computed as the estimated fair value of Wana at the 5-year anniversary, less (i) the greater of (a) the Upfront Payment and (b) the estimated fair value of Wana at the 2.5-year anniversary, (ii) Wana debt, and (iii) certain other deductions, all at the 5-year anniversary; plus the difference in Wana cash between the 5-year and 2.5-year anniversaries.

Payment of the Deferred Payments is not contingent upon the occurrence or waiver (at the Company’s discretion) of the Triggering Event or the exercise of the Call Option. At the Company’s option, the Call Option Payments and the Deferred Payments may be satisfied in cash, common shares or a combination thereof at the Company’s sole discretion.

Until such time as the Company exercises its right to acquire Wana, the Company will have no economic or voting interest in Wana, the Company will not control Wana, and the Company and Wana will continue to operate independently.

Upon initial recognition, the Company estimated the fair value of the Wana financial instrument to be \$442,227, consisting of (i) the Upfront Payment as noted above; and (ii) the present value of the estimated Deferred Payments, totaling \$74,160 (see Note 18). The Wana financial instrument, in effect, represents a call option to purchase 100% of Wana for a payment equal to 15% of Wana’s fair market value at the time the option is exercised.

At March 31, 2022, the estimated fair value of the Wana financial instrument was \$372,343, with the change from initial recognition recorded in other income (expense), net. See Note 24 for additional details on how the fair value of the Wana financial instrument is calculated on a recurring basis.

TerrAscend Exchangeable Shares

TerrAscend is a publicly traded licensed producer. The TerrAscend Exchangeable Shares will only become convertible into common shares following changes in U.S. federal laws regarding the cultivation, distribution or possession of cannabis, the compliance of TerrAscend with such laws and the approval of the various securities exchanges upon which the issuer’s securities are listed (the “TerrAscend Triggering Event”). The TerrAscend Exchangeable Shares are not transferrable or monetizable until exchanged into common shares. In the interim, the Company will not be entitled to voting rights, dividends or other rights upon dissolution of TerrAscend. As a result, the Company does not have significant influence over TerrAscend and accounts for the TerrAscend Exchangeable Shares as a financial asset at estimated fair value with any changes recorded in other income (expense), net. See Note 6 for information regarding the completion of the plan of arrangement with RIV Capital, which included the acquisition, by Canopy Growth, of the TerrAscend Exchangeable Shares held by RCC.

At March 31, 2022 the estimated fair value of the Company’s investment in the TerrAscend Exchangeable Shares was estimated to be \$229,000 (March 31, 2021 – \$385,000). See Note 24 for additional details on how the fair value of the Company’s investment is calculated on a recurring basis.

TerrAscend Canada Term Loan, Debenture, and Warrants – October 2019

On October 2, 2019, RIV Capital completed a \$13,243 (US\$10,000) investment in TerrAscend Canada, a wholly-owned subsidiary of TerrAscend, which included a term loan with an estimated fair value of \$10,853 and TerrAscend warrants with an estimated fair value of \$2,390. As part of the completion of the plan of arrangement with RIV Capital, as described in Note 6, Canopy Growth acquired these securities from RCC. The non-cash additions in respect to these investments represents the inherent deferred tax liability on the initial acquisition of the assets from RIV Capital, as the accounting carrying value of the assets exceeds the tax basis.

The Company accounts for these instruments as financial assets at estimated fair value, with any changes recorded in other income (expense), net. As of March 31, 2022, the estimated fair value of the term loan was \$10,280 (March 31, 2021 – \$10,240), and the estimated fair value of the warrants was \$3,730 (March 31, 2021 – \$17,250). See Note 24 for additional details on how the fair value of the Company’s investment is calculated on a recurring basis.

TerrAscend Canada Term Loan, Debenture, and TerrAscend Warrants – March 2020

On March 11, 2020, Canopy Growth completed an \$80,526 investment in TerrAscend Canada. The investment includes a secured debenture (the “debenture”) for \$80,526, that matures the earliest of (i) March 10, 2030 and (ii) the later of March 10, 2025 and the date that is 24 months following the date that is the TerrAscend Triggering Event. The debenture bears interest at a rate of 6.1% and is payable annually.

As additional consideration, TerrAscend issued 17,808,975 common share purchase warrants (collectively, the “TerrAscend Warrants”). The TerrAscend Warrants consist of two tranches. The first tranche TerrAscend Warrants total 15,656,242 and are exercisable at a price of \$5.41 per common share. They are exercisable upon the occurrence or waiver of TerrAscend the Triggering Event until the earliest of (i) March 10, 2030 and (ii) the later of (A) March 10, 2025 and (B) the date that is 24 months following the occurrence of the TerrAscend Triggering Event.

The second tranche TerrAscend Warrants total of 2,152,733 and are exercisable at a price of \$3.74 per common share. They are exercisable upon the occurrence or waiver of the TerrAscend Triggering Event until the earliest of (i) March 10, 2031 and (ii) the later of (A) March 10, 2026 and (B) the date that is 36 months following the occurrence of the TerrAscend Triggering Event.

Canopy Growth has the right to set-off the applicable exercise price payable for the exercise of the TerrAscend Warrants against any amounts owing by TerrAscend, or any amounts owing under the Loan by TerrAscend Canada. The Company accounts for these instruments as financial assets at estimated fair value, with any changes recorded in other income (expense), net. At issuance, the term loan had an estimated fair value of \$54,800 and the TerrAscend Warrants had an estimated fair value of \$25,626 with \$100 of related transaction costs expensed.

As of March 31, 2022, the estimated fair value of the debenture was \$49,890 (March 31, 2021 – \$56,330) and the Warrants had an estimated fair value of \$60,740 (March 31, 2021 – \$152,910). See Note 24 for additional details on how the fair value of the Company’s investment is calculated on a recurring basis.

Arise Bioscience and Additional TerrAscend Warrants – December 2020

On December 10, 2020, the Company entered into a loan financing agreement with Arise Bioscience, Inc. (“Arise Bioscience”), a wholly owned subsidiary of TerrAscend. The investment is in the amount of US\$20,000 (\$25,478) (the “Loan”) pursuant to a secured debenture (the “Arise Debenture”). The Arise Debenture bears interest at a rate of 6.1% and is payable beginning in the fourth year after its issuance. The Arise Debenture will mature on December 10, 2030.

In connection with the Loan, TerrAscend issued 2,105,718 common share purchase warrants to the Company (the “Additional TerrAscend Warrants”). 1,926,983 Additional TerrAscend Warrants are exercisable at a price of \$15.28 per share, and expire on December 10, 2030. 178,735 Additional TerrAscend Warrants are exercisable at a price of \$17.19 per share, and expire on December 10, 2031. The Additional TerrAscend Warrants will be exercisable by the Company following the TerrAscend Triggering Event. The Loan is repayable by Arise Bioscience at any time.

The Company accounts for these instruments as financial assets at estimated fair value, with any changes recorded in other income (expense), net. At issuance, the Arise Debenture had an estimated fair value of \$11,758 and the Additional TerrAscend Warrants had an estimated fair value of \$13,720.

As of March 31, 2022, the Arise Debenture had an estimated fair value of \$13,343 and the Additional TerrAscend Warrants had an estimated fair value of \$3,460 (March 31, 2021 – \$13,077 and \$13,240, respectively). See Note 24 for additional details on how the fair value of the Company’s investment is calculated on a recurring basis.

TerrAscend Option

On January 13, 2021, the Company entered into the TerrAscend Option to purchase 1,072,450 common shares of TerrAscend for aggregate consideration of US\$10,529 (\$13,445). The Company accounts for this instrument as a financial asset at estimated fair value, with any changes recorded in other income (expense), net. At March 31, 2022 the estimated fair value of the TerrAscend Option was \$6,300 (March 31, 2021 – \$10,600). See Note 24 for additional details on how the fair value of the Company’s investment is calculated on a recurring basis.

13. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2022	March 31, 2021
Buildings and greenhouses	\$ 766,931	\$ 651,166
Production and warehouse equipment	159,314	216,925
Leasehold improvements	69,304	106,837
Office and lab equipment	29,879	30,546
Computer equipment	22,293	26,431
Land	18,917	34,747
Right-of-use-assets		
Buildings and greenhouses	89,228	100,517
Production and warehouse equipment	55	530
Assets in process	19,771	129,428
	<u>1,175,692</u>	<u>1,297,127</u>
Less: Accumulated depreciation	(232,912)	(222,590)
	<u>\$ 942,780</u>	<u>\$ 1,074,537</u>

Depreciation expense included in cost of goods sold for the year ended March 31, 2022 is \$50,200 (year ended March 31, 2021 – \$51,737; year ended March 31, 2020 – \$52,249). Depreciation expense included in selling, general and administrative expenses for the year ended March 31, 2022 is \$26,047 (year ended March 31, 2021 – \$19,177, year ended March 31, 2020 – \$21,467).

See Note 5 for information on the impairment and abandonment of property, plant and equipment that resulted in charges in the amount of \$224,726 that the Company recognized as part of its restructuring actions in the year ended March 31, 2022 (year ended March 31, 2021 – \$426,748; year ended March 31, 2020 – \$334,964).

14. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	March 31, 2022		March 31, 2021	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<u>Finite lived intangible assets</u>				
Intellectual property	\$ 138,170	\$ 97,638	\$ 212,100	\$ 168,655
Distribution channel	72,642	24,834	73,756	35,176
Operating licenses	24,400	22,052	-	-
Software and domain names	29,822	14,206	27,836	18,149
Brands	5,547	3,680	21,812	8,894
Amortizable intangibles in process	5,476	5,476	1,952	1,952
Total	<u>\$ 276,057</u>	<u>\$ 167,886</u>	<u>\$ 337,456</u>	<u>\$ 232,826</u>
<u>Indefinite lived intangible assets</u>				
Acquired brands		\$ 74,809		\$ 67,341
Operating licenses		10,000		8,000
Total intangible assets		<u>\$ 252,695</u>		<u>\$ 308,167</u>

Amortization expense included in cost of goods sold for the year ended March 31, 2022 is \$81 (year ended March 31, 2021 – \$80; year ended March 31, 2020 – \$1,030). Amortization expense included in selling, general and administrative expenses for the year ended March 31, 2022 is \$38,090 (year ended March 31, 2021 – \$56,124; year ended March 31, 2020 – \$50,267).

Estimated amortization expense for each of the five succeeding fiscal years and thereafter is as follows:

2023	\$ 25,318
2024	\$ 24,660
2025	\$ 21,040
2026	\$ 18,472
2027	\$ 17,727
Thereafter	\$ 60,669

See Note 5 for information on (i) the impairment and abandonment of intangible assets that resulted in charges in the amount of \$41,404 that the Company recognized as part of its restructuring actions in the year ended March 31, 2022 (year ended March 31, 2021 – \$54,511; year ended March 31, 2020 – \$192,987) and (ii) impairment charges of \$26,065 in the year ended March 31, 2022 (year ended March 31, 2021 – \$6,634; year ended March 31, 2020 – \$54,020).

15. GOODWILL

The changes in the carrying amount of goodwill are as follows:

Balance, March 31, 2020	\$ 1,954,471
Foreign currency translation adjustments	(65,117)
Balance, March 31, 2021	\$ 1,889,354
Purchase accounting allocations	105,323
Disposal of consolidated entities	(58,786)
Impairment losses	(40,748)
Foreign currency translation adjustments	(28,640)
Balance, March 31, 2022	<u>\$ 1,866,503</u>

At March 31, 2022, the Company performed its annual goodwill impairment analysis using the quantitative assessment. The Company concluded that the carrying values of its KeyLeaf and This Works reporting units were higher than their respective estimated fair values as determined using the income valuation method, and a goodwill impairment loss totaling \$40,748 was recognized in the year ended March 31, 2022 (year ended March 31, 2021 - \$nil). The goodwill impairment loss was comprised of (i) \$22,355 related to the KeyLeaf reporting unit, representing the entirety of the goodwill assigned to the KeyLeaf reporting unit; and (ii) \$18,393 related to the This Works reporting unit. Certain negative trends, including slower growth rates, resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation for the KeyLeaf and This Works reporting units. No impairment was noted for any of the Company's other reporting units, as the estimated fair value of each of the other reporting units with goodwill exceeded their carrying value.

The estimated fair value of the cannabis operations reporting unit in the global cannabis segment was determined using the market valuation method, with the most significant assumptions used in applying this method being (i) the price of the Company's common shares; and (ii) the estimated control premium associated with ownership of the Company's common shares. The estimated fair values of all other reporting units (KeyLeaf, This Works, BioSteel and Storz & Bickel) were determined using the income valuation method, with the most significant assumptions used in applying this method being (i) the discount rate; (ii) the expected long-term growth rate; and (iii) the annual cash flow projections. These methodologies are consistent with those used by the Company for its annual impairment test conducted at March 31, 2021, and for the quantitative interim goodwill assessment conducted by the Company for the cannabis operations reporting unit at December 31, 2021.

The carrying value, at March 31, 2022, of the goodwill associated with the Company's cannabis operations reporting unit was \$1,727,848. For the cannabis operations reporting unit, if all other assumptions were held constant and the estimated control premium was decreased by 500 basis points, the estimated fair value would decrease by 7% and result in an impairment charge. If all other assumptions were held constant and the share price decreased by 10%, the estimated fair value would decrease by 15% and result in an impairment charge.

The carrying value, at March 31, 2022, of the goodwill associated with the Company's BioSteel reporting unit was \$57,339. For the BioSteel reporting unit, if all other assumptions were held constant and the discount rate was increased by 50 basis points, the estimated fair value would decrease by 8%. If all other assumptions were held constant and the long-term growth rate was decreased by 50 basis points, the estimated fair value would decrease by 3%. If all other assumptions were held constant and the annual cash flow projections were decreased by 250 basis points, the estimated fair value would decrease by 5%.

The carrying value, at March 31, 2022, of the goodwill associated with the Company's Storz & Bickel reporting unit was \$79,027. For the Storz & Bickel reporting unit, if all other assumptions were held constant and the discount rate was increased by 50 basis points, the estimated fair value would decrease by 6%. If all other assumptions were held constant and the long-term growth rate was decreased by 50 basis points, the estimated fair value would decrease by 4%. If all other assumptions were held constant and the annual cash flow projections were decreased by 250 basis points, the estimated fair value would decrease by 3%.

At March 31, 2022, the fair value of the cannabis operations reporting unit to which goodwill is assigned exceeded its carrying value by approximately 5% to 10%. Accordingly, the goodwill assigned to the cannabis operations reporting unit is at risk for impairment in future periods. The Company may be required to perform a quantitative goodwill impairment assessment in future periods for the cannabis operations reporting unit, to the extent the Company continues to experience declines in the price of its common shares from March 31, 2022, reductions in the estimated control premium associated with ownership of the Company's common shares, or other indicators of impairment arise.

The carrying value, at March 31, 2022, of the goodwill associated with the Company's This Works reporting unit was \$2,289.

16. OTHER ACCRUED EXPENSES AND LIABILITIES

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

	March 31, 2022	March 31, 2021
Employee compensation	\$ 24,873	\$ 47,237
Inventory	10,096	5,426
Professional fees	7,640	11,544
Taxes and government fees	7,144	13,550
Other	25,525	23,056
	<u>\$ 75,278</u>	<u>\$ 100,813</u>

17. DEBT

The components of debt are as follows:

	Maturity Date	March 31, 2022	March 31, 2021
Convertible senior notes at 4.25% interest with semi-annual interest payments	July 15, 2023		
Principal amount		\$ 600,000	\$ 600,000
Accrued interest		5,958	5,664
Non-credit risk fair value adjustment		7,140	109,710
Credit risk fair value adjustment		(49,140)	(27,960)
		563,958	687,414
Convertible debentures	September 10, 2025	32,858	-
Accretion debentures	September 10, 2025	7,720	-
Credit facility	March 18, 2026	893,647	891,677
Other revolving debt facility, loan, and financings		2,808	3,872
		1,500,991	1,582,963
Less: current portion		(9,296)	(9,827)
Long-term portion		<u>\$ 1,491,695</u>	<u>\$ 1,573,136</u>

Credit Facility

On March 18, 2021, the Company entered into a credit agreement (the "Credit Agreement") providing for a five-year, first lien senior secured term loan facility in an aggregate principal amount of US\$750,000 (the "Credit Facility"). The Company also has the ability to obtain up to an additional US\$500,000 of incremental senior secured debt pursuant to the Credit Agreement.

The Credit Facility has no principal payments, matures on March 18, 2026, has a coupon of LIBOR plus 8.50% and is subject to a LIBOR floor of 1.00%. In the event that LIBOR can no longer be adequately ascertained or is no longer available, an alternative rate as permitted under the Credit Agreement will be used. The Company's obligations under the Credit Facility are guaranteed by material wholly-owned Canadian and U.S. subsidiaries of the Company. The Credit Facility is secured by substantially all of these 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\$200,000 at the end of each fiscal quarter.

The proceeds from the Credit Facility were \$893,160, and the carrying amount is reflected net of financing costs.

Convertible Notes

On June 20, 2018, the Company issued convertible senior notes (the “Notes”) with an aggregate principal amount of \$600,000. The Notes bear interest at a rate of 4.25% per annum, payable semi-annually on January 15th and July 15th of each year commencing from January 15, 2019. The Notes will mature on July 15, 2023. The Notes are subordinated in right of payment to any existing and future senior indebtedness, including indebtedness under the revolving debt facility with FCC (as defined below). The Notes will rank senior in right of payment to any future subordinated borrowings. The Notes are effectively junior to any secured indebtedness and the Notes are structurally subordinated to all indebtedness and other liabilities of the Company’s subsidiaries.

Holders of the Notes may convert the Notes at their option at any time from January 15, 2023 to the maturity date. The Notes will be convertible, at the holder’s option, at a conversion rate of 20.7577 common shares for every \$1 principal amount of Notes (equal to an initial conversion price of approximately \$48.18 per common share), subject to adjustments in certain events. In addition, the holder has the right to exercise the conversion option from September 30, 2018 to January 15, 2023, if (i) the market price of the Company common shares for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day, (ii) during the 5 business day period after any consecutive 5 trading day period (the “Measurement Period”) in which the trading price per \$1 principal amount of the Notes for each trading day in the Measurement Period was less than 98% of the product of the last reported sales price of the Company’s common shares and the conversion rate on each such trading day, (iii) the Notes are called for redemption or (iv) upon occurrence of certain corporate events (a “Fundamental Change”). A Fundamental Change occurred upon completion of the investment by Constellation Brands, Inc. (“CBI”) in the Company in November 2018, and no holders of Notes surrendered any portion of their Notes in connection therewith.

The Company may, upon conversion by the holder, elect to settle in either cash, common shares, or a combination of cash and common shares, subject to certain circumstances. Under the terms of the indenture if a Fundamental Change occurs and a holder elects to convert its Notes from and including on the date of the Fundamental Change up to, and including, the business day immediately prior to the Fundamental Change repurchase date, the Company may be required to increase the conversion rate for the Notes surrendered for conversion by a number of additional common shares.

Prior to July 20, 2021, the Company could not redeem the Notes except in the event of certain changes in Canadian tax law. On or after July 20, 2021, the Company could redeem for cash, subject to certain conditions, any or all of the Notes, at its option, if the last reported sales price of the Company’s common shares for at least 20 trading days during any 30 consecutive trading day period ending within 5 trading days immediately preceding the date on which the Company provides notice of redemption exceeds 130% of the conversion price on each applicable trading day. The Company may also redeem the Notes, if certain tax laws related to Canadian withholding tax change subject to certain further conditions. The redemption of Notes in either case shall be at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

For accounting purposes, the equity conversion feature did not meet the equity classification guidance, therefore the Company elected the fair value option under ASC 825 – *Financial Instruments*. The Notes were initially recognized at fair value on the balance sheet. All subsequent changes in fair value, excluding the impact of the change in fair value related to the Company’s own credit risk are recorded in other income (expenses), net. The changes in fair value related to the Company’s own credit risk are recorded through other comprehensive income (loss).

The overall change in fair value of the Notes during the years ended March 31, 2022 and March 31, 2021 was a decrease of \$123,456 and an increase of \$237,210, respectively, which included contractual interest of \$25,794 and \$25,710, respectively. Refer to Note 24 for additional details on how the fair value of the Notes is calculated.

Supreme Cannabis Convertible Debentures and Accretion Debentures

On October 19, 2018, Supreme Cannabis (as defined below) entered into an indenture with Computershare Trust Company of Canada (the “Trustee”) pursuant to which Supreme Cannabis issued 6.0% senior unsecured convertible debentures (the “Supreme Debentures”) for gross proceeds of \$100,000. On September 9, 2020, Supreme Cannabis and the Trustee entered into a supplemental indenture to effect certain amendments to the Supreme Debentures, which included among other things: (i) the cancellation of \$63,500 of principal amount of the Supreme Debentures; (ii) an increase in the interest rate to 8% per annum; (iii) the extension of the maturity date to September 10, 2025; and (iv) a reduction in the conversion price to \$0.285.

In addition, on September 9, 2020, Supreme Cannabis issued new senior unsecured non-convertible debentures (the “Accretion Debentures”). The principal amount began at \$nil and accretes at a rate of 11.06% per annum based on the remaining principal amount of the Supreme Debentures of \$36,500 to a maximum of \$13,500, compounding on a semi-annual basis commencing on September 9,

2020, and ending on September 9, 2023. The Accretion Debentures are payable in cash, but do not bear cash interest and are not convertible into Supreme Shares (as defined below). The principal amount of the Accretion Debentures will amortize, or be paid, at 1.0% per month over the 24 months prior to maturity.

As a result of the Supreme Arrangement (as defined below), the Supreme Debentures remain outstanding as securities of Supreme Cannabis, which, upon conversion will entitle the holder thereof to receive, in lieu of the number of Supreme Shares to which such holder was theretofore entitled, the consideration payable under the Supreme Arrangement that such holder would have been entitled to be issued and receive if, immediately prior to the effective time of the Supreme Arrangement, such holder had been the registered holder of the number of Supreme Shares to which such holder was theretofore entitled.

In connection with the Supreme Arrangement, the Company, Supreme Cannabis and the Trustee entered into a supplemental indenture whereby the Company agreed to issue common shares upon conversion of any Supreme Debenture. In addition, the Company may force conversion of the Supreme Debentures outstanding with 30 days' notice if the daily volume weighted average trading price of the Company's common shares is greater than \$38.59 for any 10 consecutive trading days. The Company, Supreme Cannabis and the Trustee entered into a further supplemental indenture whereby the Company agreed to guarantee the obligations of Supreme Cannabis pursuant to the Supreme Debentures and the Accretion Debentures.

Prior to September 9, 2023, the Supreme Debentures are not redeemable. Beginning on and after September 9, 2023, Supreme Cannabis may from time to time, upon providing 60 days prior written notice to the Trustee, redeem the Convertible Debentures outstanding, provided that the Accretion Debentures have already been redeemed in full.

Other revolving debt facility, loans, and financings

On August 13, 2019 the Company, through its wholly owned subsidiary, Tweed Inc., entered into a \$40,000 revolving debt facility with Farm Credit Canada ("FCC"). The facility is secured by the Company's property in Niagara-on-the-Lake. The extinguishment of \$4,912 in previous FCC debt resulted in no gain or loss.

The current outstanding balance of the FCC debt facility is \$nil (March 31, 2021 – \$nil) with an interest rate of 3.70%, or FCC prime rate plus 1.0%. The facility expires on September 3, 2024.

Debt payments

As of March 31, 2022, the required principal repayments under long-term debt obligations for each of the five succeeding fiscal years and thereafter are as follows:

2023	\$	865
2024		603,865
2025		6,865
2026		966,470
2027		-
Thereafter		-
	<u>\$</u>	<u>1,578,065</u>

18. OTHER LIABILITIES

The components of other liabilities are as follows:

	<u>As at March 31, 2022</u>			<u>As at March 31, 2021</u>		
	<u>Current</u>	<u>Long-term</u>	<u>Total</u>	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Lease liabilities	\$ 38,035	\$ 101,125	\$ 139,160	\$ 42,061	\$ 94,164	\$ 136,225
Acquisition consideration and other investment related liabilities	4,020	77,834	81,854	16,577	7,808	24,385
Refund liability	3,437	-	3,437	6,441	-	6,441
Settlement liabilities and other	18,562	11,090	29,652	41,349	5,268	46,617
	<u>\$ 64,054</u>	<u>\$ 190,049</u>	<u>\$ 254,103</u>	<u>\$ 106,428</u>	<u>\$ 107,240</u>	<u>\$ 213,668</u>

On October 14, 2021, upon entering into the Wana Agreements, the Company recognized the present value of the estimated Deferred Payments associated with the Wana financial instrument within acquisition consideration and other investment related liabilities, in the amount of \$74,160 (see Note 12). At March 31, 2022, the estimated fair value of the Deferred Payments was \$70,066, with the change from initial recognition recorded in other income (expense), net. See Note 24 for additional details on how the fair value of the estimated Deferred Payments are calculated on a recurring basis.

19. REDEEMABLE NONCONTROLLING INTEREST

The net change in the redeemable noncontrolling interests is as follows:

	Vert Mirabel	BioSteel	Total
As at March 31, 2019	\$ 6,400	\$ -	\$ 6,400
Initial recognition of noncontrolling interest	-	18,733	18,733
Income (loss) attributable to noncontrolling interest	8,220	(1,731)	6,489
Adjustments to redemption amount	5,630	32,498	38,128
As at March 31, 2020	20,250	49,500	69,750
Net loss attributable to redeemable noncontrolling interest	(11,906)	(6,171)	(18,077)
Adjustments to redemption amount	3,156	80,471	83,627
As at March 31, 2021	11,500	123,800	135,300
Net loss attributable to redeemable noncontrolling interest	(3,165)	(13,932)	(17,097)
Adjustments to redemption amount	(7,335)	(69,559)	(76,894)
Redemption of redeemable noncontrolling interest	-	(5,109)	(5,109)
As at March 31, 2022	<u>\$ 1,000</u>	<u>\$ 35,200</u>	<u>\$ 36,200</u>

20. SHARE CAPITAL

CANOPY GROWTH

Authorized

An unlimited number of common shares.

(i) Equity financings

There were no equity financings during the years ended March 31, 2022, March 31, 2021 and March 31, 2020.

(ii) Other issuances of common shares

During the year ended March 31, 2022, the Company issued the following common shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of common shares	Share capital	Share based reserve
Acquisition of Supreme Cannabis	9,013,400	\$ 260,668	\$ -
Completion of acquisition milestones	1,295,285	29,276	(29,721)
Other issuances	492,741	8,201	(736)
Total	<u>10,801,426</u>	<u>\$ 298,145</u>	<u>\$ (30,457)</u>

During the year ended March 31, 2021, the Company issued the following common shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of common shares	Share capital	Share based reserve
Completion of acquisition milestones	2,598,978	\$ 46,903	\$ (19,059)
Other issuances	449,729	14,906	(14,894)
Total	<u>3,048,707</u>	<u>\$ 61,809</u>	<u>\$ (33,953)</u>

During the year ended March 31, 2020, the Company issued the following common shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of common shares	Share capital	Share based reserve
Acquisition of BC Tweed NCI release from escrow	6,940,531	\$ 223,036	\$ (223,036)
Completion of acquisition milestones	1,121,605	29,561	(29,687)
Other issuances	597,936	19,369	(19,511)
Total	<u>8,660,072</u>	<u>\$ 271,966</u>	<u>\$ (272,234)</u>

(iii) Warrants

	Number of whole warrants	Average exercise price	Warrant value
Balance outstanding at March 31, 2019	107,848,322	\$ 43.80	\$ 1,589,925
Tranche A warrant modification	-	-	1,049,153
Issuance of Tranche B warrants	38,454,444	76.68	-
Other issuance of warrants	9,200	32.83	359
Exercise of warrants	(12,523)	35.55	(486)
Balance outstanding at March 31, 2020 ¹	146,299,443	\$ 52.44	\$ 2,638,951
Exercise of warrants	(18,882,927)	12.98	(70,513)
Expiry of warrants	(343,380)	41.49	-
Balance outstanding at March 31, 2021 ¹	127,073,136	\$ 58.33	\$ 2,568,438
Supreme Cannabis warrants	1,265,742	25.61	13,350
Expiry of warrants	(145,831)	32.61	-
Balance outstanding at March 31, 2022 ¹	<u>128,193,047</u>	<u>\$ 58.04</u>	<u>\$ 2,581,788</u>

¹ This balance excludes the Tranche C Warrants, which represent a derivative liability and have nominal value, see note 31.

RIV CAPITAL

Completion of RIV Arrangement

As described in Note 6, the RIV Arrangement was completed on February 23, 2021. Pursuant to the RIV Arrangement, Canopy Growth surrendered 36,468,318 MVS and 15,223,938 SVS in the capital of RIV Capital and as a result held no MVS (March 31, 2020 – 36,468,318) and no SVS (March 31, 2020 – 15,223,938). The Company’s MVS and SVS holdings at March 31, 2020 represented a 27.3% ownership interest and 84.4% voting interest in RIV Capital at that time. The voting rights allowed the Company to direct the relevant activities of RIV Capital such that the Company had control over RIV Capital until the completion of the RIV Arrangement on February 23, 2021, and RIV Capital was consolidated in these financial statements until that date. Upon completion of the RIV Arrangement, the Company no longer controlled RIV Capital, and the Company derecognized RIV Capital’s consolidated assets and liabilities from its consolidated financial statements.

Share buyback

On April 2, 2020, RIV Capital received approval from the Toronto Stock Exchange (“TSX”) to commence a normal course issuer bid (“NCIB”) to purchase up to 10,409,961 SVS, representing 10% of RIV Capital’s issued and outstanding SVS, in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The NCIB expired on April 1, 2021.

Daily purchases were limited to 70,653 SVS, representing 25% of the average daily trading volume on the TSX over a specified period. The NCIB was utilized at the sole discretion of RIV Capital, with no contractual obligation to purchase any specified number of shares. All SVS purchases made by RIV Capital under the NCIB were funded out of RIV Capital’s working capital and were cancelled immediately.

During the period from April 1, 2020 to February 23, 2021, RIV Capital repurchased and cancelled a total of 273,300 SVS under the NCIB program for \$307, at a weighted average acquisition price of \$1.11 per share.

Financings

Period from April 1, 2020 to February 23, 2021

There were no financings during the period from April 1, 2020 to February 23, 2021.

Year ended March 31, 2020

There were no financings during the year ended March 31, 2020.

21. SHARE-BASED COMPENSATION

CANOPY GROWTH CORPORATION SHARE-BASED COMPENSATION PLAN

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

On September 21, 2020, the Company's shareholders approved amendments to the Company's Amended and Restated Omnibus Incentive Plan (as amended and restated, the "Omnibus Plan") pursuant to which the Company can issue share-based long-term incentives. The Omnibus Plan approved by the shareholders extended the maximum term of each Option (as defined below) to be granted by the Company to ten years from the date of grant rather than six years from the date of grant. On May 27, 2021, the Board of Directors of the Company approved certain amendments to the Omnibus Plan in order to reduce the maximum number of shares available for issuance under the Omnibus Plan from 15% of the issued and outstanding shares to 10% of the issued and outstanding shares from time to time less the number of shares issuable pursuant to other security-based compensation arrangements of the Company. All directors, officers, employees and independent contractors of the Company are eligible to receive awards of common share purchase options ("Options"), restricted share units ("RSUs"), performance share units ("PSUs"), deferred share units, stock appreciation rights, performance awards, or other shares-based awards (collectively, the "Awards") under the Omnibus Plan.

The maximum number of common shares reserved for Awards is 39,442,260 at March 31, 2022 (March 31, 2021 – 57,431,277). As of March 31, 2022, the only Awards issued have been options, RSUs, and PSUs under the Omnibus Plan.

The Omnibus Plan is administered by the Corporate Governance, Compensation and Nominating Committee of the Board of Directors of the Company (the "CGC&N Committee") which establishes exercise prices, at not less than the market price at the date of grant, and expiry dates. Awards under the Omnibus Plan generally vest in increments with 1/3 vesting on each of the first, second and third anniversaries from the date of grant, with expiry dates set at ten years from issuance, subject to the discretion of the CGC&N Committee pursuant to the Omnibus Plan to provide for an alternative expiry date or vesting period in an award agreement for the grant of Awards, subject to limits contained in the Omnibus Plan.

Under the Company's Employee Share Purchase Plan (the "Purchase Plan") the aggregate number of common shares that may be issued is 600,000, and the maximum number of common shares which may be issued in any one fiscal year shall not exceed 300,000. As of March 31, 2022, the Company has issued a total of 235,813 common shares under the Purchase Plan (March 31, 2021 – 37,312) with 198,501 being issued in the current fiscal year (March 31, 2021 – 37,312).

The following is a summary of the changes in the Company's Omnibus Plan employee options during the years ended March 31, 2020, 2021 and 2022:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2019	32,831,895	\$ 34.10
Options granted	9,454,714	33.87
Options exercised	(3,900,032)	10.63
Options forfeited/cancelled	(5,878,182)	44.95
Balance outstanding at March 31, 2020	32,508,395	\$ 34.89
Options granted	478,215	28.15
Options exercised	(7,062,317)	22.22
Options forfeited	(8,219,982)	41.27
Balance outstanding at March 31, 2021	17,704,311	\$ 36.79
Options granted	2,537,290	17.40
Replacement options issued as a result of the acquisition of Supreme Cannabis	140,159	80.53
Options exercised	(445,680)	12.27
Options forfeited	(3,153,118)	42.03
Balance outstanding at March 31, 2022	<u>16,782,962</u>	<u>\$ 33.89</u>

The following is a summary of the outstanding stock options as at March 31, 2022:

Range of Exercise Prices	Options Outstanding		Options Exercisable	
	Outstanding at March 31, 2022	Weighted Average Remaining Contractual Life (years)	Exercisable at March 31, 2022	Weighted Average Remaining Contractual Life (years)
\$0.06 - \$24.62	3,705,144	4.05	1,312,215	2.12
\$24.63 - \$33.53	4,036,819	3.25	2,285,789	2.68
\$33.54 - \$36.80	2,984,264	2.24	2,984,264	2.24
\$36.81 - \$42.84	2,641,567	2.85	2,488,993	2.65
\$42.85 - \$67.64	3,415,168	2.88	3,005,487	2.83
	16,782,962	3.11	12,076,748	2.54

At March 31, 2022, the weighted average exercise price of options outstanding and options exercisable was \$33.89 and \$38.33, respectively (March 31, 2021 – \$36.79 and \$36.97, respectively).

The Company recorded \$27,163 in share-based compensation expense related to Options issued to employees and contractors for the year ended March 31, 2022 (for the year ended March 31, 2021 – \$67,737, for the year ended March 31, 2020 – \$248,450). The share-based compensation expense for the year ended March 31, 2022 includes an amount related to 1,336,249 options being provided in exchange for services which are subject to performance conditions (for the year ended March 31, 2021 – 2,152,938, for the year ended March 31, 2020 – 2,160,068).

The Company issued replacement options to employees in relation to the acquisition of Supreme Cannabis (Note 29) and during the year ended March 31, 2022, recorded share-based compensation expense \$823.

With the exception of nil options which are subject to market-based performance conditions (March 31, 2021 – 17,559, March 31, 2020 – 571,689) and valued using the Monte Carlo simulation model, the Company uses the Black-Scholes option pricing model to establish the fair value of options granted during the years ended March 31, 2022, 2021 and 2020 on their measurement date by applying the following assumptions:

	March 31, 2022	March 31, 2021	March 31, 2020
Risk-free interest rate	1.09%	0.36%	1.38%
Expected life of options (years)	3 - 5	1 - 7	3 - 5
Expected volatility	75%	76%	73%
Expected forfeiture rate	18%	17%	12%
Expected dividend yield	nil	nil	nil
Black-Scholes value of each option	\$9.69	\$15.24	\$19.83

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

During the year ended March 31, 2022, 445,680 Options were exercised ranging in price from \$0.06 to \$36.34 for gross proceeds of \$5,567 (for the year ended March 31, 2021 – 7,062,317 Options were exercised ranging in price from \$0.06 to \$67.64 for gross proceeds of \$156,897, for the year ended March 31, 2020 – 3,900,032 Options were exercised ranging in prices from \$0.06 to \$40.68 for gross proceeds of \$41,413).

For the year ended March 31, 2022, the Company recorded \$10,709 in share-based compensation expense related to RSUs and PSUs (for the year ended March 31, 2021 – \$11,448, for the year ended March 31, 2020 – \$2,308). The following is a summary of changes in the Company’s RSUs during the years ended March 31, 2020, 2021 and 2022:

	Number of RSUs and PSUs
Balance outstanding at March 31, 2019	137,228
RSUs granted	875,673
RSUs released	(29,892)
RSUs cancelled and forfeited	(100,000)
Balance outstanding at March 31, 2020	883,009
RSUs granted	142,826
RSUs released	(120,399)
RSUs cancelled and forfeited	(152,126)
Balance outstanding at March 31, 2021	753,310
RSUs and PSUs granted	3,253,671
RSUs and PSUs released	(300,319)
RSUs and PSUs cancelled and forfeited	(229,370)
Balance outstanding at March 31, 2022	<u>3,477,292</u>

During the year ended March 31, 2022, the Company recorded \$7,991 in share-based compensation expense related to acquisition milestones (for the year ended March 31, 2021 – \$8,136, for the year ended March 31, 2020 – \$62,172).

During the year ended March 31, 2022, 1,295,285 shares (during the year ended March 31, 2021 – 2,598,978, during the year ended March 31, 2020 – 1,121,605) were released on completion of acquisition milestones. At March 31, 2022, there were up to 275,468 shares to be issued on the completion of acquisition and asset purchase milestones. In certain cases, the number of shares to be issued is based on the volume weighted average share price at the time the milestones are met. The number of shares has been estimated assuming the milestones were met at March 31, 2022. The number of shares excludes shares that were to be issued on July 4, 2023 to the previous shareholders of Spectrum Colombia and Canindica based on the fair market value of the Company’s Latin American business on that date.

In the year ended March 31, 2020, as a result of the restructuring of our operations in Colombia and Lesotho, the Company accelerated share-based compensation expense relating to the unvested milestones associated with the acquisitions of Spectrum Colombia, Canindica, and DCL in the year ended March 31, 2019. Accordingly, the Company recognized share-based compensation expense of \$32,694 in the year ended March 31, 2020. See Note 5 for further information.

BioSteel share-based payments

On October 1, 2019, the Company purchased 72% of the outstanding shares of BioSteel Sports Nutrition Inc. (“BioSteel”) (see Note 29(c)(iii)). BioSteel has a stock option plan under which non-transferable options to purchase common shares of BioSteel may be granted to directors, officers, employees, or independent contractors of the BioSteel. As at March 31, 2022, the Company had 1,565,300 (March 31, 2021 – 1,581,000, March 31, 2020 – 1,008,000) options outstanding which vest in equal tranches over a 5-year period. In determining the amount of share-based compensation related to these options, BioSteel used the Black-Scholes option pricing model to establish the fair value of options on their measurement date. The Company recorded \$839 of share-based compensation expense related to the BioSteel options during the year ended March 31, 2022 with a corresponding increase in noncontrolling interest (year ended March 31, 2021 – \$1,169, March 31, 2020 – \$489).

RIV Capital Inc. (“RIV Capital”) share-based payments

For the period from April 1, 2020 to February 23, 2021, the Company recorded \$2,659 in share-based compensation expense related to its former subsidiary, RIV Capital (year ended March 31, 2020 – \$6,857). As described in Note 6, the Company disposed of its investment in RIV Capital on February 23, 2021.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income includes the following components:

	Foreign currency translation adjustments	Changes of own credit risk of financial liabilities	Accumulated other comprehensive income (loss)
As at March 31, 2019	\$ 41,225	\$ (47,130)	\$ (5,905)
Other comprehensive income	85,498	175,260	260,758
Income tax expense	-	(33,954)	(33,954)
As at March 31, 2020	126,723	94,176	220,899
Other comprehensive loss	(154,969)	(100,170)	(255,139)
As at March 31, 2021	(28,246)	(5,994)	(34,240)
Disposal of consolidated entities	16,130	-	16,130
Other comprehensive income (loss)	(45,352)	21,180	(24,172)
As at March 31, 2022	\$ (57,468)	\$ 15,186	\$ (42,282)

23. NONCONTROLLING INTERESTS

The net change in the noncontrolling interests is as follows:

	RIV Capital	Vert Mirabel	BioSteel	Other	Total
As at March 31, 2019	\$ 280,012	\$ 2,422	\$ -	\$ 3,051	\$ 285,485
Comprehensive (loss) income	(77,313)	12,930	(1,731)	-	(66,114)
Net (loss) income loss attributable to redeemable noncontrolling interest	-	(8,220)	1,731	-	(6,489)
Share-based compensation	6,857	-	489	-	7,346
Ownership changes	1,530	-	-	-	1,530
As at March 31, 2020	211,086	7,132	489	3,051	221,758
Comprehensive income (loss)	94,532	(14,261)	(6,171)	-	74,100
Net loss attributable to redeemable noncontrolling interest	-	11,906	6,171	-	18,077
Share-based compensation	2,659	-	1,169	-	3,828
Ownership changes	(308,527)	(4,777)	-	-	(313,304)
Warrants	250	-	-	-	250
As at March 31, 2021	-	-	1,658	3,051	4,709
Comprehensive loss	-	(3,165)	(13,932)	(1,207)	(18,304)
Net loss attributable to redeemable noncontrolling interest	-	3,165	13,932	-	17,097
Share-based compensation	-	-	839	-	839
Ownership changes	-	-	-	-	-
Warrants	-	-	-	-	-
As at March 31, 2022	\$ -	\$ -	\$ 2,497	\$ 1,844	\$ 4,341

¹ Refer to Note 6 for information regarding the completion of the plan of arrangement with RIV Capital.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements are made using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value:

- Level 1 - defined as observable inputs such as quoted prices in active markets;
- Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The fair value measurement is categorized in its entirety by reference to its lowest level of significant input.

The Company records cash, accounts receivable, interest receivable and, accounts payable, and other accrued expenses and liabilities at cost. The carrying values of these instruments approximate their fair value due to their short-term maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis may include items such as property, plant and equipment, goodwill and other intangible assets, equity and other investments and other assets. We determine the fair value of these items using Level 3 inputs, as described in the related sections below.

The following table represents our financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair value measurement using			Total
	Quoted prices prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
March 31, 2022				
Assets:				
Short-term investments	\$ 595,651	\$ -	\$ -	\$ 595,651
Restricted short-term investments	12,216	-	-	12,216
Other financial assets	490	-	787,816	788,306
Liabilities:				
Convertible senior notes	-	563,958	-	563,958
Liability arising from Acreage Arrangement	-	-	47,000	47,000
Warrant derivative liability	-	-	26,920	26,920
Other liabilities	-	-	70,066	70,066
March 31, 2021				
Assets:				
Short-term investments	\$ 1,144,563	\$ -	\$ -	\$ 1,144,563
Restricted short-term investments	11,332	-	-	11,332
Other financial assets	254	-	700,728	700,982
Liabilities:				
Convertible senior notes	-	687,414	-	687,414
Liability arising from Acreage Arrangement	-	-	600,000	600,000
Warrant derivative liability	-	-	615,575	615,575

See Note 5 for further details regarding the abandonment and impairment of long-lived assets as a result of the Company's restructuring of its global operations and its annual impairment testing for the years ended March 31, 2022, 2021 and 2020.

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

Financial asset / financial liability	Valuation techniques	Key inputs
Convertible senior notes	Convertible note pricing model	Quoted prices in over-the-counter broker market

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

Financial asset / financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Acreage financial instrument	Probability weighted expected return model	Probability of each scenario	Change in probability of occurrence in each scenario will result in a change in fair value
		Number of common shares to be issued	Increase or decrease in value and number of common shares will result in a decrease or increase in fair value
		Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Estimated premium on US legalization	Increase or decrease in estimated premium on US legalization will result in an increase or decrease in fair value
		Control premium	Increase or decrease in estimated control premium will result in an increase or decrease in fair value
		Market access premium	Increase or decrease in estimated market access premium will result in an increase or decrease in fair value
TerrAscend Exchangeable Shares, TerrAscend Option	Put option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Hempco Debenture	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
TerrAscend warrants - October 2019, March 2020	Black-Sholes option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
TerrAscend warrants - December 2020	Monte Carlo simulation model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Arise Bioscience term loan, TerrAscend Canada term loan - October 2019, March 2020	Discounted cash flow	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
Wana financial instrument - Call Option	Discounted cash flow	Expected future Wana cash flows	Increase or decrease in expected future Wana cash flows will result in an increase or decrease in fair value
		Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
Wana financial instrument - Deferred Payments	Monte Carlo simulation model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Volatility of Wana	Increase or decrease in volatility will result in an increase or decrease in fair value
Warrant derivative liability	Monte Carlo simulation model	Volatility of Canopy Growth share price	Increase or decrease in volatility will result in an increase or decrease in fair value
BioSteel redeemable noncontrolling interest	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Expected future BioSteel cash flows	Increase or decrease in expected future BioSteel cash flows will result in an increase or decrease in fair value
Vert Mirabel redeemable noncontrolling interest	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Future wholesale price and production levels	Increase or decrease in future wholesale price and production levels will result in an increase or decrease in fair value

25. REVENUE

Revenue is disaggregated as follows:

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Canadian recreational cannabis net revenue			
Business-to-business ¹	\$ 143,732	\$ 163,585	\$ 121,605
Business-to-consumer	61,570	66,016	52,044
	205,302	229,601	173,649
Canadian medical cannabis net revenue ²	52,608	55,448	51,647
	257,910	285,049	225,296
International and other revenue			
C ³	36,113	62,335	53,770
Other	43,193	31,296	15,869
	79,306	93,631	69,639
Global cannabis net revenue	337,216	378,680	294,935
Other consumer products			
Storz & Bickel	85,410	80,998	48,329
This Works	32,296	33,314	24,725
BioSteel	44,626	28,530	4,589
Other	20,777	25,127	26,194
Other consumer products revenue	183,109	167,969	103,837
Net revenue	<u>\$ 520,325</u>	<u>\$ 546,649</u>	<u>\$ 398,772</u>

¹Canadian recreational business-to-business net revenue reflects excise taxes of \$56,666 (year ended March 31, 2021 - \$54,928, and year ended March 31, 2020 - \$35,649).

²Canadian medical cannabis net revenue reflects excise taxes of \$5,227 (year ended March 31, 2021 - \$5,621, and year ended March 31, 2020 - \$5,205).

The Company recognizes variable consideration related to estimated future product returns and price adjustments as a reduction of the transaction price at the time revenue for the corresponding product sale is recognized. Net revenue reflects actual returns and variable consideration related to estimated returns and price adjustments in the amount of \$21,464 for the year ended March 31, 2022 (year ended March 31, 2021 – \$23,935, and year ended March 31, 2020 – \$51,500). As of March 31, 2022, the liability for estimated returns and price adjustments was \$3,437 (March 31, 2021 – \$6,441).

26. PHARMHOUSE

PharmHouse Inc. (“PharmHouse”), a joint venture formed on May 7, 2018, between RIV Capital and 2615975 Ontario Limited (the “PharmHouse JV Partner”), is a company licensed to cultivate cannabis under the Cannabis Act. Upon completion of the RIV Arrangement on February 23, 2021, the Company no longer controlled RIV Capital and RIV Capital’s consolidated assets and liabilities were derecognized from the Company’s consolidated financial statements. The assets and liabilities that were derecognized include those described below in relation to RIV Capital’s investments in, and obligations with respect to, PharmHouse. Refer to Note 6 for further details on the RIV Arrangement.

CCAA Proceedings

During the year ended March 31, 2021, PharmHouse determined that the previously anticipated timeline to generate cash flows from its offtake agreements with the Company and TerrAscend Canada would not be met, and the ultimate timing and receipt of cash inflows pursuant to these agreements became uncertain. As a result of this, as well as broader sector-wide challenges impacting the Canadian cannabis industry, PharmHouse did not have sufficient liquidity and capital resources to meet its business objectives and became unable to meet its financial obligations as they became due.

Accordingly, on September 15, 2020, PharmHouse obtained an order (the “Initial Order”) from the Ontario Superior Court of Justice (the “Court”) granting PharmHouse creditor protection under the Companies’ Creditors Arrangement Act (“CCAA”) (the “CCAA Proceedings”). The Court appointed an independent professional services firm to act as the Monitor of PharmHouse in the CCAA Proceedings while PharmHouse explored a restructuring of its business and operations (the “Restructuring”).

On October 29, 2020, PharmHouse received approval from the Court to commence its Sale and Investor Solicitation Process (“SISP”). The SISP process concluded in March 2021, subsequent to the completion of the RIV Arrangement, when PharmHouse entered into a binding asset purchase agreement to sell various operating assets including its facility and certain equipment at the facility. The asset purchase agreement was approved by the Court in March 2021.

PharmHouse Recoverability Assessment

As a result of the CCAA Proceedings and the Restructuring, RIV Capital determined that there were indicators of impairment present for its investments in various PharmHouse-related financial assets.

RIV Capital performed impairment testing for its various PharmHouse-related financial assets by estimating the fair value of PharmHouse en bloc. Due to the lack of profitable operating history for PharmHouse as a cannabis entity, RIV Capital estimated the fair value of PharmHouse en bloc using an asset-based approach to value PharmHouse’s assets under an orderly liquidation scenario where cannabis operations are not continued at PharmHouse’s facility and the greenhouse is sold for purposes other than cannabis cultivation. This amount was then compared to the carrying values of the various PharmHouse-related financial instruments held by RIV Capital, in sequence based on the priority of claims on PharmHouse’s assets (the “PharmHouse Recoverability Assessment”). The significant components of this fair value analysis included PharmHouse’s greenhouse facility and retrofits, separable machinery and equipment, saleable inventory, and cash. Significant unobservable inputs used by RIV Capital to determine the fair value of PharmHouse’s assets include the selling price per square foot for PharmHouse’s greenhouse facility; the recoverability percentage on the liquidation of PharmHouse’s property, plant and equipment; the selling price per gram of PharmHouse’s existing cannabis inventory; and adjustments for the risk of fair value changes and liquidity. Based on the foregoing, the Company estimated the recoverable value of PharmHouse’s assets in an orderly liquidation scenario to be approximately \$57,500.

The impact of the PharmHouse Recoverability Assessment on RIV Capital’s various PharmHouse-related financial instruments is described below.

PharmHouse Financial Guarantee

Prior to February 23, 2021, PharmHouse had entered into a syndicated credit agreement (as amended, the “PharmHouse Credit Agreement”) with a number of Canadian banks (the “PharmHouse Lenders”) to provide PharmHouse with a committed, non-revolving credit facility (the “PharmHouse Credit Facility”) with a maximum principal amount of \$90,000, which was fully drawn. The obligations of PharmHouse under the PharmHouse Credit Facility were secured by guarantees of RIV Capital and RCC, and a pledge by RCC of all of the shares of PharmHouse held by it (the “PharmHouse Financial Guarantee”). Accordingly, if PharmHouse was unable to generate sufficient cash flows to service its obligations pursuant to the PharmHouse Credit Facility, RIV Capital and RCC were required to compensate the PharmHouse Lenders for their loss incurred on the PharmHouse Credit Facility. The PharmHouse Credit Agreement also contains other covenants applicable to RIV Capital and RCC.

Based on the PharmHouse Recoverability Assessment described above, the Company determined that the fair value of PharmHouse’s assets under an orderly liquidation scenario where the facility is not used for cannabis operations may be less than the principal amount owed by PharmHouse pursuant to the PharmHouse Credit Facility. Accordingly, the Company estimated that, prior to February 23, 2021, it had a financial liability related to the PharmHouse Financial Guarantee, reflecting the estimated shortfall between the recoverable amount of PharmHouse en bloc and the Company’s exposure to the PharmHouse Credit Facility.

As at February 23, 2021, the Company estimated the current expected credit loss related to its contingent obligation under the PharmHouse Financial Guarantee to be \$32,500, and recognized a financial liability for this amount in the consolidated balance sheet (March 31, 2020 – \$nil). Upon completion of the RIV Arrangement on February 23, 2021, this liability was derecognized from the Company’s consolidated balance sheet. During the year ended March 31, 2021, the Company recognized an associated current expected credit loss of \$32,500 in net income (loss) (year ended March 31, 2020 – \$nil).

Other financial assets, including loans receivable

Prior to February 23, 2021, RCC had advanced to PharmHouse (i) \$40,000 of secured debt financing pursuant to a shareholder loan agreement (March 31, 2020 – \$40,000); (ii) \$2,450 pursuant to a secured demand promissory note (March 31, 2020 – \$2,450); and (iii) \$1,206 between August 4, 2020, and September 8, 2020 pursuant to an unsecured promissory note. The Company recognized these instruments as financial assets, initially recorded them at fair value and subsequently measured them at amortized cost. Additionally, pursuant to the Initial Order, RCC entered into an agreement to provide a super-priority, debtor-in-possession interim, non-revolving credit facility to PharmHouse (the “DIP Financing”), with a maximum principal amount available to be drawn by PharmHouse of \$9,700, and a maturity date of February 28, 2021. As at February 23, 2021, RCC had advanced \$9,300 pursuant to the DIP Financing.

As a result of the PharmHouse Recoverability Assessment described above, the Company recognized a current expected credit loss of \$32,500 in the year ended March 31, 2021, related to its contingent obligation under the PharmHouse Financial Guarantee that existed prior to the completion of the RIV Arrangement on February 23, 2021 and the resulting derecognition of RIV Capital’s consolidated assets and liabilities. The Company also concluded that the following amounts, as described above, may not be

recoverable: (i) \$9,300 advanced pursuant to DIP Financing; (ii) \$40,000 advanced under the shareholder loan agreement; (iii) \$2,450 advanced under the secured demand promissory note; (iv) \$1,206 advanced under the unsecured demand promissory note; and (v) \$8,989 in interest receivable in relation to these financial instruments. Additionally, it was determined that certain advances in the amount of \$15,000 provided to PharmHouse by the Company may not be recoverable, and costs of \$35 were incurred associated with the Restructuring in the year ended March 31, 2021. Accordingly, the Company recorded expected credit losses on financial assets and related charges of \$109,480 for the year ended March 31, 2021 (year ended March 31, 2020 – \$nil).

PharmHouse equity method investment

As at February 23, 2021, RCC owned 10,998,660 common shares of PharmHouse (March 31, 2020 – 10,998,660 common shares), representing a 49% equity interest on a non-diluted basis. RCC had not yet received any distributions on account of its common share investment in PharmHouse.

As a result of the PharmHouse Recoverability Assessment described above, the Company determined that there was an other-than-temporary-impairment and recognized an impairment charge for the full amount of its equity method investment of \$32,369.

27. OTHER INCOME (EXPENSE), NET

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

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Fair value changes on other financial assets	(356,109)	\$ 435,107	\$ (243,965)
Fair value changes on liability arising from Acreage Arrangement	553,000	(399,849)	(645,190)
Fair value changes on convertible senior notes	76,776	(162,540)	184,740
Fair value changes on warrant derivative liability	588,655	(293,084)	795,149
Fair value changes on acquisition related contingent consideration and other	4,417	39,608	12,293
Interest income	6,601	21,367	66,327
Interest expense	(103,944)	(8,459)	(6,716)
Foreign currency gain (loss)	5,415	(18,013)	(1,245)
(Loss) gain on disposal/acquisition of consolidated entity	(6,762)	634	61,775
Other income (expense), net	(14,708)	(2,647)	1,161
	<u>\$ 753,341</u>	<u>\$ (387,876)</u>	<u>\$ 224,329</u>

28. INCOME TAXES

Net loss before income taxes was generated as follows:

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Domestic - Canada	\$ (163,888)	\$ (1,611,210)	\$ (1,167,000)
Foreign - outside of Canada	(165,545)	(72,751)	(342,054)
	<u>\$ (329,433)</u>	<u>\$ (1,683,961)</u>	<u>\$ (1,509,054)</u>

The income tax recovery consists of the following:

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Current			
Domestic - Canada	\$ 895	\$ (19,318)	\$ (12,342)
Foreign - outside of Canada	1,476	(2,091)	(4,356)
	<u>\$ 2,371</u>	<u>\$ (21,409)</u>	<u>\$ (16,698)</u>
Deferred			
Domestic - Canada	\$ 6,353	\$ 36,505	\$ 78,624
Foreign - outside of Canada	224	(1,955)	59,688
	<u>6,577</u>	<u>34,550</u>	<u>138,312</u>
Income tax recovery	<u>\$ 8,948</u>	<u>\$ 13,141</u>	<u>\$ 121,614</u>

As more fully described in Note 3, income taxes that are required to be reflected in equity, instead of in the consolidated statements of operations, are included in the consolidated statements of shareholders' equity, if applicable.

Current and deferred income tax referred to above is recognized based on the Company's best estimate of the tax rates expected to apply to the income, loss or temporary difference. The Company is subject to income tax in numerous jurisdictions with varying tax rates. During the current year ended, there were no material changes to the enacted statutory tax rates in the jurisdictions where the majority of the Company's income for tax purposes was earned or where its material temporary differences or losses are expected to be realized or settled, however the impact of commercial decisions and market forces result in changes to the distribution of income for tax purposes amongst taxing jurisdictions that may result in a change of the effective tax rate applicable to such income, loss or temporary difference.

A reconciliation of the amount of income taxes reflected above compared to the expected income taxes calculated at the combined Canadian federal and provincial enacted statutory tax rate of 26.5% for each of the three years ended March 31, 2022, 2021 and 2020 is as follows:

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Net loss before income taxes	\$ (329,433)	\$ (1,683,961)	\$ (1,509,054)
Expected tax rate	26.5%	26.5%	26.5%
Expected income tax recovery	87,300	446,250	399,899
Non-deductible and non-taxable items	17,557	81,883	22,947
Fair value changes on Acreage Arrangement	146,545	(105,960)	(170,975)
Fair value changes on warrant derivative liability	155,964	(77,663)	210,715
Share-based compensation	(9,908)	(21,121)	(84,873)
Change in valuation allowance	(361,283)	(358,964)	(215,975)
Effect of tax rates outside of Canada	8,459	10,870	(3,248)
Non-taxable portion of capital gains and losses	(38,440)	38,705	(34,961)
Other	2,754	(859)	(1,915)
Income tax recovery	<u>\$ 8,948</u>	<u>\$ 13,141</u>	<u>\$ 121,614</u>

Current income taxes payable in the amount of \$1,927 (March 31, 2021 – \$5,267) is included in accounts payable and current income taxes receivable in the amount of \$6,018 (March 31, 2021 – \$5,259) is included in other accounts receivable.

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

Significant components of deferred income tax assets (liabilities) consist of the following:

	Years ended	
	March 31, 2022	March 31, 2021
Deferred income tax assets		
Property, plant and equipment	\$ 78,023	\$ 74,603
Intangible assets	671	5,063
Inventory reserves and write-downs	40,324	39,893
Other reserves and accruals	5,939	7,957
Losses carried forward	917,283	608,002
Equity method investments and other financial assets	10,512	14,900
Deferred financing costs	2,740	3,587
Other	5,635	6,226
Gross deferred income tax assets	1,061,127	760,231
Valuation allowances	(1,039,130)	(677,847)
Total deferred income tax assets, net	<u>\$ 21,997</u>	<u>\$ 82,384</u>
Deferred income tax liabilities		
Property, plant and equipment	\$ (4,182)	\$ (25,864)
Intangible assets	(29,832)	(43,449)
Equity method investments and other financial assets	-	(31,176)
Deferred financing costs	(3,353)	(2,785)
Other	(621)	(489)
Total deferred income tax liabilities	<u>(37,988)</u>	<u>(103,763)</u>
Net deferred income tax assets (liabilities)	<u>\$ (15,991)</u>	<u>\$ (21,379)</u>
<p>In evaluating whether it is more likely than not that all or a portion of a deferred income tax asset will be realized consideration is given to the estimated reversal of deferred income tax liabilities and future taxable income. The Company has recognized valuation allowances for operating losses carried forward, capital losses carried forward and other deferred income tax assets when it is believed that it is more likely than not that these items will not be realized.</p> <p>As at March 31, 2022, the Company had temporary differences associated with investments in foreign subsidiaries for which no deferred income tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and material undistributed earnings are considered permanently invested. Determination of the amount of the unrecognized deferred income tax liability is not practicable due to the inherent complexity of the multi-jurisdictional operations of the Company.</p> <p>As at March 31, 2022 the Company has the following losses carried forward available to reduce future years' taxable income, which losses expire as follows:</p>		
Expiring within 5 years	\$	-
Expiring between 5 and 10 years		1,031
Expiring between 10 and 15 years		156,420
Expiring between 15 and 20 years		2,394,542
Indefinite		377,120
	<u>\$</u>	<u>2,929,113</u>
Total in Canada	\$	2,547,844
Total in United States		278,458
Total in Europe		55,440
Total in other jurisdictions		47,371
	<u>\$</u>	<u>2,929,113</u>
Total operating losses	\$	2,929,113
Total capital losses (carried forward indefinitely)		892,360
	<u>\$</u>	<u>3,821,473</u>

29. ACQUISITIONS

(a) Year ended March 31, 2022

The following table summarizes the consolidated balance sheet impact at acquisition of the Company's business combinations that occurred in the year ended March 31, 2022.

	Ace Valley (i)	Supreme Cannabis (ii)	Other	Total
Cash and cash equivalents	\$ 1,544	\$ 41,306	\$ 1,227	\$ 44,077
Inventory	878	33,426	362	34,666
Other current assets	2,249	14,791	335	17,375
Property, plant and equipment	105	187,407	1,510	189,022
Intangible assets				
Brands	14,000	22,800	-	36,800
Distribution channel	-	3,500	-	3,500
Operating licenses	-	24,400	2,000	26,400
Goodwill	39,152	58,842	7,329	105,323
Accounts payable and other accrued expenses and liabilities	(1,724)	(12,935)	(30)	(14,689)
Debt and other liabilities	-	(88,324)	(1,037)	(89,361)
Deferred income tax liabilities	(1,899)	(5,545)	(540)	(7,984)
Net assets acquired	\$ 54,305	\$ 279,668	\$ 11,156	\$ 345,129
Consideration paid in cash	\$ 51,836	\$ 84	\$ 7,104	\$ 59,024
Consideration paid in shares	-	260,668	4,052	264,720
Replacement options	-	629	-	629
Replacement warrants	-	13,350	-	13,350
Other consideration	2,469	4,937	-	7,406
Total consideration	\$ 54,305	\$ 279,668	\$ 11,156	\$ 345,129
Consideration paid in cash	\$ 51,836	\$ 84	\$ 7,104	\$ 59,024
Less: Cash and cash equivalents acquired	(1,544)	(41,306)	(1,227)	(44,077)
Net cash outflow (inflow)	\$ 50,292	\$ (41,222)	\$ 5,877	\$ 14,947

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

(i) Ace Valley

On April 1, 2021, the Company entered into a share purchase agreement (the "AV Share Purchase Agreement") with Tweed Inc., AV Cannabis Inc. ("Ace Valley"), and the shareholders of Ace Valley (the "AV Vendors") pursuant to which the Company indirectly acquired 100% of the issued and outstanding shares of Ace Valley for cash consideration of \$51,836. Ace Valley is an Ontario-based cannabis brand with a focus on premium, ready-to-enjoy products including vapes, pre-roll joints and gummies. Pursuant to the terms of the AV Share Purchase Agreement, the Company 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 common shares, subject to the fulfillment of certain conditions by April 1, 2023. This represents liability-classified contingent consideration. Management has estimated the fair value of this consideration to be \$2,469 by assessing the probability and timing of the fulfillment of the specified conditions and discounting the expected cash outflows to present value.

In the year ended March 31, 2022, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method.

(ii) Supreme Cannabis

On June 22, 2021, the Company and The Supreme Cannabis Company, Inc. ("Supreme Cannabis") completed an arrangement (the "Supreme Arrangement") pursuant to which the Company acquired 100% of the issued and outstanding common shares of Supreme Cannabis (the "Supreme Shares"). Supreme Cannabis is a producer of recreational, wholesale and medical cannabis products, with a diversified portfolio of distinct cannabis companies, products and brands. Pursuant to the Supreme Arrangement, the Company issued 9,013,400 common shares with a fair value on closing of \$260,668 and made a cash payment of \$84 to former Supreme Cannabis shareholders in consideration for their Supreme Shares.

The Company also assumed the obligation to issue 1,265,742 common shares upon the exercise of outstanding warrants of Supreme Cannabis and issued 140,159 replacement options. The fair value of the obligation upon the exercise of the outstanding warrants of Supreme Cannabis was estimated to be \$13,350 using a Black-Scholes model. The replacement options' fair value totaled \$1,452, calculated using a Black-Scholes model, of which \$629 was included in consideration paid as it related to pre-combination services and the residual \$823 fair value was recognized immediately in share-based compensation expense after the completion of the acquisition.

On June 22, 2021, Supreme Cannabis had convertible debentures outstanding with a principal amount of \$27,045 which were convertible into 94,895,649 Supreme Shares. As a result of the acquisition the conversion feature was adjusted in accordance with an exchange ratio of 0.011659. The fair value of these convertible debentures on June 22, 2021 was estimated to be \$36,593, of which \$4,937 was allocated to the conversion feature and \$31,656 to the debt component.

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

(b) Acquisitions completed in the year ended March 31, 2021

There were no acquisitions during the year ended March 31, 2021.

(c) Acquisitions completed in the year ended March 31, 2020

The following table summarizes the consolidated balance sheet impact at acquisition of the Company's business combinations that occurred in the year ended March 31, 2020:

	C ³ (i)	This Works (ii)	BioSteel (iii)	BCT (iv)	Spectrum UK (iv)	Storz & Bickel 30(c)(v)	Total
Cash and cash equivalents	\$ 2,818	\$ 1,619	\$ 225	\$ 7,886	\$ -	\$ -	\$ 12,548
Other current assets	15,140	8,239	12,972	2,296	67	-	38,714
Property, plant and equipment	8,345	478	391	5	895	-	10,114
Intangible assets							
Brands	10,613	22,114	3,600	-	-	-	36,327
Distribution channel	4,058	12,988	14,700	-	-	-	31,746
Operating licenses	-	-	-	-	1,158	-	1,158
Intellectual property	36,520	16,848	20,900	5,267	-	24,990	104,525
Software and domain names	8	176	541	-	-	-	725
Goodwill	287,010	22,214	35,939	85,700	12,861	(24,990)	418,734
Accounts payable and other accrued expenses and liabilities	(3,652)	(4,100)	(3,852)	(2,176)	(922)	-	(14,702)
Debt and other liabilities	(3,942)	-	(3,659)	-	-	-	(7,601)
Deferred income tax liabilities	(11,219)	(7,911)	(3,817)	(838)	(36)	-	(23,821)
Net assets	\$ 345,699	\$ 72,665	\$ 77,940	\$ 98,140	\$ 14,023	\$ -	\$ 608,467
Noncontrolling interests	-	-	(18,733)	-	-	-	(18,733)
Net assets acquired	\$ 345,699	\$ 72,665	\$ 59,207	\$ 98,140	\$ 14,023	\$ -	\$ 589,734
Consideration paid in cash	\$ 345,699	\$ 72,665	\$ 47,924	\$ 45,098	\$ -	\$ -	\$ 511,386
Fair value of previously held equity interest	-	-	-	37,919	14,023	-	51,942
Replacement options	-	-	-	1,885	-	-	1,885
Other consideration	-	-	11,283	13,238	-	-	24,521
Total consideration	\$ 345,699	\$ 72,665	\$ 59,207	\$ 98,140	\$ 14,023	\$ -	\$ 589,734
Consideration paid in cash	\$ 345,699	\$ 72,665	\$ 47,924	\$ 45,098	\$ -	\$ -	\$ 511,386
Less: Cash and cash equivalents acquired	(2,818)	(1,619)	(225)	(7,886)	-	-	(12,548)
Net cash outflow	\$ 342,881	\$ 71,046	\$ 47,699	\$ 37,212	\$ -	\$ -	\$ 498,838

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

(i) C³

On April 30, 2019, the Company acquired 100% of the shares of C³ for total cash consideration of \$345,699. C³ is a European based biopharmaceutical company that develops, manufactures and commercializes natural and synthetic cannabinoid based active ingredients. In connection with the acquisition, the Company entered into a five-year cooperation agreement with the former majority shareholder of C³, for which the Company paid \$7,804. This amount will be expensed ratably over the contract term.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Distribution channel	\$ 4,058	10	Income approach
Intellectual property	36,520	10	Relief-from-royalty
Licensed brands	10,613	2	Relief-from-royalty
Other adjustments			
Inventory step-up	1,814		
Deferred income tax liabilities	(11,219)		
Net impact to goodwill	\$ (41,786)		

(ii) This Works

On May 21, 2019, the Company acquired 100% of the shares of TWP UK Holdings Limited (“This Works”) and its subsidiary companies, This Works Products Limited, TWP USA Inc. and TWP IP Limited for total cash consideration of \$72,665 (GBP 43,296). Based in London, United Kingdom, This Works is a natural skincare and sleep solutions company.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Acquired brands	\$ 19,130	Indefinite	Relief-from-royalty
Distribution channel	12,988	10	Income approach using a multi-period excess earnings method
Intellectual property	16,848	10	Replacement cost
Licensed brands	2,984	5	Income approach using a multi-period excess earnings method
Other adjustments			
Inventory step-up	1,755		
Deferred income tax liabilities	(7,911)		
Net Impact to Goodwill	\$ (45,794)		

(iii) BioSteel

On October 1, 2019, the Company purchased 72% of the outstanding shares of BioSteel, a North America-based producer of sports nutrition products. Initial cash consideration was \$50,707 subject to certain adjustments and holdbacks such that \$47,924 was advanced on closing. The purchase price was to be further adjusted based on a multiple of BioSteel’s calendar 2019 net revenue. Management has concluded that this purchase price adjustment is nominal.

Through its voting rights, the Company controls BioSteel and therefore, the acquisition was accounted for as a business combination. The noncontrolling interests of \$18,733 recognized at acquisition date were recorded at their share of fair value.

Prior to September 30, 2019, the Company had advanced a total of \$8,500 to BioSteel under a secured loan agreement. The acquisition resulted in an effective settlement of the loan payable of \$8,500 which has been recorded as other consideration. Immediately following the October 1 acquisition, the Company subscribed for additional shares of BioSteel for consideration of \$14,000 which was funded through a cash advance of \$10,000 and the conversion of \$4,000 of the loan payable. After completing this investment, the Company’s ownership interest in BioSteel is 76.7%.

The shares not purchased by the Company will be retained by certain current shareholders and management for a period of up to 5 years (the “Rollover Shareholders”). On the third anniversary of the closing Canopy Growth will have a right to purchase, and the Rollover Shareholders will have a right to sell one half of the remaining interest held by the Rollover Shareholders to Canopy Growth at a specified valuation based on a multiple of BioSteel’s net revenue. On the fifth anniversary of the closing Canopy Growth will have a right to purchase, and the Rollover Shareholders will have a right to sell the balance of the remaining interest held by the Rollover Shareholders to Canopy Growth at a valuation to be mutually agreed upon by the parties. The call and put options represent redeemable noncontrolling interest (“BioSteel Redeemable NCI”) and is recorded at fair value on initial recognition. See Note 19 for a continuity of the BioSteel Redeemable NCI. See Note 24 for additional details on how the fair value is calculated.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Acquired brands	\$ 3,600	Indefinite	Relief-from-royalty
Distribution channel	14,700	11	Income approach using a multi-period excess earnings method
Intellectual property	20,900	11	Relief-from-royalty, net of product migration
Other adjustments			
Inventory step-up	2,710		
Deferred income tax liabilities	(3,817)		
Net impact to goodwill	\$ (38,093)		

(iv) BCT and Spectrum UK

BCT is a cannabis research and development organization in the United Kingdom which was formed in fiscal 2018 through a collaboration agreement between CHI and Beckley Research and Innovations Limited. In the fourth quarter of fiscal 2019, the Company and BCT had formed another joint venture – Spectrum Biomedical UK (“Spectrum UK”). The purpose of Spectrum UK was to become the exclusive distributor of cannabis-based medicinal products made by the Company. Since their inception the Company had been accounting for its 42% interest in BCT and its 67% interest in Spectrum UK using the equity method. Though BCT and Spectrum UK are VIE’s, due to the fact that both entities are jointly controlled, Canopy Growth is not the primary beneficiary of either entity and therefore is not required to consolidate either entity.

On October 11, 2019, the Company acquired all its unowned interest in BCT to increase its total ownership of BCT’s issued and outstanding shares to 100%. Following this transaction, the Company will control both BCT and Spectrum UK, and both BCT and Spectrum UK will be accounted for as wholly owned subsidiaries.

Cash consideration for this transaction was \$58,336 of which \$45,098 was advanced on closing, \$8,750 was paid during October 2020, and \$5,861 was paid on October 1, 2021 and has a fair value of \$5,746.

Consideration also included 155,565 replacement options. The fair value of the replacement options was determined using a Black-Scholes model and \$1,885 of the total fair value has been included as consideration paid to acquire BCT as it related to pre-combination vesting service and \$1,987 of the fair value will be recognized as share-based compensation expense ratably over the post-combination vesting period.

The acquisition of the unowned interests is accounted for as business combinations achieved in stages under ASC 805. The Company remeasured its 42% interest in BCT and its 67% interest in Spectrum UK to fair value and recognized a total gain of \$39,485 which reflects the difference between the carrying value of \$12,457 and the implied fair value \$51,942. The fair value was estimated to be the transaction price less an estimated control premium of 5%.

The consideration paid for BCT included \$250 cash and 16,430 replacement options that were issued to a member of key management of the Company that was a shareholder and option holder in BCT.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

<u>Measurement period impact</u>	<u>Adjustments</u>	<u>Useful life (years)</u>	<u>Valuation methodology</u>
Acquisition related intangible assets			
Intellectual property	\$ 5,267	1	Replacement cost
Operating license	1,158	1	Replacement cost
Other adjustments			
Deferred income tax liabilities	(874)		
Net impact to goodwill	\$ (5,551)		

(d) More Life

On November 7, 2019 the Company entered into agreements with certain entities that are controlled by Aubrey “Drake” Graham to launch the More Life Growth Company (“More Life”). Under the agreements Canopy Growth sold 100% of the shares of 1955625 Ontario Inc., a wholly owned subsidiary of Canopy Growth that holds the Health Canada license for a facility located in Scarborough, Ontario to More Life (“More Life Facility”) in exchange for a 40% interest in More Life. Certain entities that are controlled by Drake hold a 60% ownership interest in More Life.

Following this transaction, the Company no longer controlled 1955625 Ontario Inc. and the Company derecognized the assets and liabilities of 1955625 Ontario Inc. from its consolidated financial statements at their carrying amounts. Management has concluded that the subsidiary does not meet the definition of an operation and no goodwill was allocated. The derecognized assets and liabilities on November 7, 2019, were as follows:

Current assets	\$ 100
Intangible assets	2,810
Net assets disposed	<u>\$ 2,910</u>
Fair value of retained interest	25,200
Gain on disposal of consolidated entity	<u>\$ 22,290</u>

The gain calculated on the derecognition of 1955625 Ontario Inc.’s assets and liabilities was the difference between the carrying amounts of the derecognized assets and liabilities of 1955625 Ontario Inc. and the fair value of the consideration received, being the fair value of the Company’s interest in More Life. This gain was recognized in other income (expense), net, in the year ended March 31, 2020. The fair value of this interest on the transaction date was estimated to be \$25,200 which was determined using a discounted cash flow approach. The most significant inputs to the fair value measurement are the discount rate and expectations about future royalties.

As consideration for the 60% interest in More Life, certain entities that are controlled by Drake granted More Life the right to exclusively exploit certain intellectual property and brands in association with the growth, manufacture, production, marketing and sale of cannabis and cannabis-related products, accessories, merchandise and paraphernalia in Canada and internationally. More Life sublicensed such rights in Canada to Canopy Growth in exchange for royalty payments. On November 7, 2019, Canopy Growth recorded an intangible asset equal to the present value of the agreed minimum royalty payments. As part of the Company’s restructuring of its global operations in the year ended March 31, 2020, the Company recognized an impairment charge related to the remaining intangible assets in the amount of \$32,717. The Company and More Life agreed to terminate the sublicense agreement between the two parties as of March 1, 2021, and as a result the Company derecognized the remaining minimum royalty obligations owing to More Life in the amount of \$33,681. The difference between the termination payment made by the Company to More Life and the remaining minimum royalty obligations was recorded in asset impairment and restructuring costs; refer to Note 5.

Through its ownership and other rights, the Company was determined to have significant influence over More Life and accounts for its interest in More Life using the equity method of accounting. The investment was initially recognized at its fair value of \$25,200 and adjusted thereafter to recognize the Company’s share of net income (loss) and other comprehensive income (loss). The fair value of the Company’s interest in More Life was estimated to be \$10,300 at March 31, 2020 using the same valuation techniques and inputs as described above. As at March 31, 2021, as a result of the termination of the sublicense agreement between the Company and More Life, the Company determined that the fair value of its’ interest in More Life was \$nil, and accordingly, the Company recognized an impairment on its equity method investment in the amount of \$10,300 in the year ended March 31, 2021 (year ended March 31, 2020 – \$14,900) as part of the restructuring of its global operations. See Note 5 for further information.

30. C³ DIVESTITURE

On December 15, 2021, the Company entered into an agreement to divest all of its interest in C³ to a European pharmaceutical company headquartered in Germany. C³ develops and manufactures cannabinoid-based pharmaceutical products for distribution in Germany and certain other European countries.

The C³ Divestiture was completed on January 31, 2022, pursuant to which the Company received a cash payment of \$128,316 (€88,698), inclusive of cash, working capital and debt adjustments. The Company will also be entitled to an earnout payment of up to €42,600, subject to the achievement of certain milestones by C³.

Following the C³ Divestiture, the Company no longer controls C³ and the Company derecognized the assets and liabilities of C³ from these consolidated financial statements at their carrying amounts, including \$53,541 of goodwill allocated to the C³ reporting unit. The derecognized assets and liabilities on January 31, 2022, were as follows:

Current assets ¹	\$	44,568
Property, plant and equipment		9,216
Intangible assets		15,548
Goodwill		53,541
Current liabilities		(3,089)
Deferred income tax liabilities		(6,029)
Cumulative translation adjustment		19,178
Net assets disposed	\$	<u>132,933</u>
Consideration received in cash	\$	128,316
Future cash consideration		7,233
Costs to sell		(1,153)
Total consideration	\$	<u>134,396</u>
Gain on disposal of consolidated entity	\$	<u>1,463</u>

¹ Included in current assets is \$19,338 of cash.

The gain calculated on the derecognition of C³'s assets and liabilities is the difference between the carrying amounts of the derecognized assets and liabilities, inclusive of any cumulative translation adjustment amounts, and the fair value of consideration received, net of costs to sell.

31. ACREAGE ARRANGEMENT AND AMENDMENTS TO CBI INVESTOR RIGHTS AGREEMENT AND WARRANTS

Acreege Arrangement

On September 23, 2020, the Company and Acreege Holdings, Inc. (“Acreege”) entered into a second amendment (the “Acreege Amending Agreement”) to the arrangement agreement (the “Acreege Arrangement Agreement”) and plan of arrangement (the “Original Acreege Arrangement”) between the Company and Acreege dated April 18, 2019, as amended on May 15, 2019. In connection with the Acreege Amending Agreement, the Company and Acreege implemented an amended and restated plan of arrangement (the “Acreege Amended Arrangement”) on September 23, 2020. Pursuant to the terms of the Original Acreege Arrangement, shareholders of Acreege and holders of certain securities convertible into the existing Acreege subordinated voting shares as of June 26, 2019, received an immediate aggregate total payment of US\$300,000 (\$395,190) in exchange for granting Canopy Growth both the right and the obligation to acquire all of the issued and outstanding shares of Acreege following the occurrence or waiver of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana or to remove the regulation of such activities from the federal laws of the United States (the “Triggering Event”) and subject to the satisfaction or waiver of the conditions set out in the Acreege Arrangement Agreement.

The Acreege Amended Arrangement provides for, among other things, the following:

- Following the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Acreege Arrangement Agreement (as modified in connection with the Acreege Amending Agreement), Canopy Growth will acquire all of the issued and outstanding Class E subordinated voting shares (the “Fixed Shares”) based on an amended exchange ratio equal to 0.3048 of a common share to be received for each Fixed Share held. The foregoing exchange ratio for the Fixed Shares is subject to adjustment in accordance with the Acreege Amended Arrangement if, among other things, Acreege issues greater than the permitted number of Fixed Shares;
- Upon the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event, Canopy Growth will have the right exercisable for a period of 30 days, to acquire all of the issued and outstanding Class D subordinated voting shares (the “Floating Shares”) for cash or common shares or a combination thereof, in Canopy Growth’s sole discretion at a price equal to the 30-day volume weighted average trading price of the Floating Shares on the Canadian Securities Exchange, subject to a minimum call price of US\$6.41 per Floating Share. The foregoing exchange ratio for the Floating Shares is subject to adjustment in accordance with the Acreege Amended Arrangement if Acreege issues greater than the permitted number of Floating Shares. The acquisition of the Floating Shares, if acquired, will take place concurrently with the closing of the acquisition of the Fixed Shares;
- Immediately prior to the acquisition of the Fixed Shares, each issued and outstanding Class F multiple voting share will automatically be exchanged for one Fixed Share and thereafter be acquired by Canopy Growth upon the same terms and conditions as the acquisition of the Fixed Shares;
- If the occurrence or waiver of the Triggering Event does not occur by September 23, 2030, Canopy Growth’s rights to acquire both the Fixed Shares and the Floating Shares will terminate;
- Upon implementation of the Acreege Amended Arrangement, Canopy Growth made a cash payment to the shareholders of Acreege and holders of certain convertible securities in the aggregate amount of US\$37,500 (\$49,849); and
- Acreege is only permitted to issue an aggregate of up to 32,700,000 Fixed Shares and Floating Shares.

At March 31, 2022, the right and the obligation (the “Acreege financial instrument”) to acquire the Fixed Shares represents a financial liability of \$47,000 (March 31, 2021 – \$600,000), as the estimated fair value of the Acreege business is less than the estimated fair value of the consideration to be provided upon the exercise of the Acreege financial instrument. Fair value changes on the Acreege financial instrument are recognized in other income (expense), net; see Note 27. The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 24 for additional details on how the fair value of the Acreege financial instrument is calculated on a recurring basis. From a measurement perspective, the Company has elected the fair value option under ASC 825.

In connection with the Acreege Amended Arrangement, on September 23, 2020, an affiliate of the Company advanced US\$50,000 (\$66,995) to Universal Hemp, LLC, a wholly owned subsidiary of Acreege (“Acreege Hempco”) pursuant to a secured debenture (“Hempco Debenture”). In accordance with the terms of the Hempco Debenture, the funds advanced to Acreege Hempco cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. The Hempco Debenture bears interest at a rate of 6.1% per annum and matures on September 23, 2030, or such earlier date in accordance with the terms of the Hempco Debenture. All interest payments made pursuant to the Hempco Debenture are payable in cash by Acreege Hempco. The Hempco Debenture is not convertible and is not guaranteed by Acreege.

The amount advanced on September 23, 2020 pursuant to the Hempco Debenture has been recorded in other financial assets (see Note 12), and the Company has elected the fair value option under ASC 825 (see Note 24). At March 31, 2022, the estimated fair value of the Hempco Debenture issued to an affiliate of the Company by Acreege Hempco was \$28,824 (March 31, 2021 – \$27,448), measured using a discounted cash flow model (see Note 24). Refer to Note 12 for details on fair value changes, foreign currency translation adjustment, and interest received. An additional US\$50,000 may be advanced pursuant to the Hempco Debenture subject to the satisfaction of certain conditions by Acreege Hempco.

Amendment to the CBI Investor Rights Agreement and warrants

On April 18, 2019, certain wholly owned subsidiaries of CBI and Canopy Growth entered into a second amended and restated investor rights agreement and a consent agreement. In connection with these agreements, on June 27, 2019, Canopy Growth (i) extended the term of the first tranche of warrants, which allow CBI to acquire 88.5 million additional shares of Canopy Growth for a fixed price of \$50.40 per share (the “Tranche A Warrants”), to November 1, 2023; and (ii) replaced the second tranche of warrants with two new tranches of warrants (the “Tranche B Warrants” and the “Tranche C Warrants”) as follows:

- the Tranche B Warrants are exercisable to acquire 38.5 million common shares at a price of C\$76.68 per common share; and
- the Tranche C Warrants are exercisable to acquire 12.8 million common shares at a price equal to the 5-day volume-weighted average price of the common shares immediately prior to exercise.

In connection with the Tranche B Warrants and the Tranche C Warrants, Canopy Growth will provide CBI with a share repurchase credit of up to \$1.583 billion on the aggregate exercise price of the Tranche B Warrants and Tranche C Warrants in the event that Canopy Growth does not purchase for cancellation the lesser of (i) 27,378,866 common shares; and (ii) common shares with a value of \$1.583 billion, during the period commencing on April 18, 2019 and ending on the date that is 24 months after the date that CBI exercises all of the Tranche A Warrants. The share repurchase credit feature is accounted for as a derivative liability, with the fair value continuing to be \$nil at March 31, 2022.

The modifications to the Tranche A Warrants resulted in them meeting the definition of a derivative instrument under ASC 815 - *Derivatives and Hedging* (“ASC 815”). They continue to be classified in equity as the number of shares and exercise price were both fixed at inception.

The Tranche B Warrants are accounted for as derivative instruments (the “warrant derivative liability”) measured at fair value in accordance with ASC 815. At March 31, 2022, the fair value of the warrant derivative liability was \$26,920 (March 31, 2021 – \$615,575), and fair value changes are recognized in other income (expense), net; see Note 27. See Note 24 for additional details on how the fair value of the warrant derivative liability is calculated on a recurring basis.

The Tranche C Warrants are accounted for as derivative instruments, with the fair value continuing to be \$nil at March 31, 2022.

32. LEASES

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

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

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

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

Balance sheet location

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

	March 31, 2022	March 31, 2021
Property, plant and equipment		
Operating lease	\$ 39,571	\$ 47,522
Finance lease	34,333	39,427
	<u>\$ 73,904</u>	<u>\$ 86,949</u>
Other current liabilities:		
Operating lease	\$ 11,752	\$ 11,491
Finance lease	26,283	30,570
Other long-term liabilities:		
Operating lease	58,031	62,285
Finance lease	43,094	31,879
	<u>\$ 139,160</u>	<u>\$ 136,225</u>

Lease expense

The components of total lease expense are as follows:

	Years ended	
	March 31, 2022	March 31, 2021
Operating lease expense	\$ 5,245	\$ 10,846
Finance lease expense:		
Amortization of right-of-use assets	3,883	2,303
Interest on lease liabilities	1,667	1,674
	<u>\$ 10,795</u>	<u>\$ 14,823</u>

Lease maturities

As of March 31, 2022, the minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

	Operating Leases	Finance Leases
2023	\$ 12,004	\$ 8,023
2024	11,402	8,116
2025	10,923	8,200
2026	9,892	38,476
2027	9,525	3,388
Thereafter	17,761	6,262
Total lease payments	\$ 71,507	\$ 72,465
Less: Interest	1,724	3,088
Total lease liabilities	<u>\$ 69,783</u>	<u>\$ 69,377</u>

As of March 31, 2022, we have additional operating leases that have not yet commenced with immaterial aggregated minimum payments on an undiscounted basis.

Supplemental information

	Years ended	
	March 31, 2022	March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 12,905	\$ 18,792
Operating cash flows from finance leases	1,667	1,674
Financing cash flows from finance leases	1,494	2,303
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 9,019	\$ 13,592
Finance leases	3,720	1,428
	March 31, 2022	March 31, 2021
Weighted-average remaining lease term:		
Operating leases	6	7
Finance leases	4	4
Weighted-average discount rate		
Operating leases	4.50%	4.50%
Finance leases	4.50%	4.50%

33. RELATED PARTY

Year ended March 31, 2022

There were no reportable related party transactions in the year ended March 31, 2022.

Year ended March 31, 2021

On February 23, 2021, the Company completed the RIV Arrangement with RIV Capital and RCC. Refer to Note 6 for a description of the RIV Arrangement.

In connection with the Proposal Agreement entered into by the Company and Acreage on June 24, 2020 to amend the terms of the Original Acreage Arrangement, the Company entered into the Second Consent Agreement with CBI and its affiliates.

Year ended March 31, 2020

In connection with the Acreage Arrangement Agreement, the Company entered into several agreements with CBI and its affiliates, including the New Investor Rights Agreement, the Consent Agreement and amendments to the Original Tranche B Warrants. See Note 31 for further information.

34. COMMITMENTS

The Company has entered into agreements in which it has committed to purchase a minimum amount of inventory, pay a minimum amount of royalty expenses, incur expenditures for property, plant and equipment and procure various other goods or services. The following summarizes the Company's annual minimum commitments associated with its contractual agreements as of March 31, 2022. This amount excludes the Company's debt and lease related commitments which are disclosed elsewhere in Notes 17 and 32, respectively in these consolidated financial statements.

2023	\$ 130,453
2024	72,653
2025	33,641
2026	24,347
2027	16,936
Thereafter	57,773
	<u>\$ 335,803</u>

35. SEGMENTED INFORMATION

Reportable segments

Prior to the fourth quarter of the year ended March 31, 2021, the Company had the following two operating segments, which were also its reportable segments: (i) cannabis, hemp, and other consumer products; and (ii) RIV Capital. Following the completion of the RIV Arrangement in February 2021 (refer to Note 6) and the completion of restructuring actions in the third and fourth quarters of the year ended March 31, 2021, associated with the end-to-end review of the Company's operations (refer to Note 5), the Company changed the structure of its internal management financial reporting. Accordingly, in the fourth quarter of the year ended March 31, 2021, the Company began reporting its financial results for the following two operating segments, which are also its reportable segments: (i) global cannabis; and (ii) other consumer products. These segments reflect how the Company's operations are managed, how the Company's Chief Executive Officer, who is the chief operating decision maker ("CODM"), allocates resources and evaluates performance, and how the Company's internal management financial reporting is structured.

The Company's 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. The Company's other consumer products segment comprises the production, distribution, and sale of consumer products, including (i) Storz & Bickel vaporizers; (ii) This Works beauty, skincare, wellness and sleep products; (iii) BioSteel sports nutrition beverages, mixes, protein, gum and mints; and (iv) other revenue sources. The Company's 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 for the year ended March 31, 2020 comparative period has been recast to reflect the aforementioned change in reportable segments.

The accounting policies of each segment are the same as those disclosed in the summary of significant accounting policies in Note 3.

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Segmented net revenue			
Global cannabis	\$ 337,216	\$ 378,680	\$ 294,935
Other consumer products	183,109	167,969	103,837
	<u>\$ 520,325</u>	<u>\$ 546,649</u>	<u>\$ 398,772</u>
Segmented gross margin:			
Global cannabis	\$ (251,235)	\$ 7,045	\$ (76,836)
Other consumer products	58,181	59,915	45,152
	<u>(193,054)</u>	<u>66,960</u>	<u>(31,684)</u>
Selling, general and administrative expenses	472,756	575,389	693,737
Share-based compensation	47,525	91,149	320,276
Expected credit losses on financial assets and relates charges	-	109,480	-
Asset impairment and restructuring costs	369,339	534,398	623,266
Operating loss	(1,082,674)	(1,243,456)	(1,668,963)
Loss from equity method investments	(100)	(52,629)	(64,420)
Other income (expense), net	753,341	(387,876)	224,329
Loss before incomes taxes	<u>\$ (329,433)</u>	<u>\$ (1,683,961)</u>	<u>\$ (1,509,054)</u>

Asset information by segment is not provided to, or reviewed by, the Company's CODM as it is not used to make strategic decisions, allocate resources, or assess performance.

Entity-wide disclosures

Disaggregation of net revenue by geographic area:

	Years ended		
	March 31, 2022	March 31, 2021	March 31, 2020
Canada	\$ 296,369	\$ 329,172	\$ 256,166
Germany	90,874	116,379	93,945
United States	82,080	64,926	24,568
Other	51,002	36,172	24,093
	<u>\$ 520,325</u>	<u>\$ 546,649</u>	<u>\$ 398,772</u>

Disaggregation of long-lived tangible assets by geographic area:

	March 31, 2022	March 31, 2021
	Canada	\$ 827,591
United States	63,247	143,747
Other	51,942	83,112
	<u>\$ 942,780</u>	<u>\$ 1,074,537</u>

For the year ended March 31, 2022, one customer represented more than 10% of the Company's net revenue (years ended March 31, 2021 and 2020, none and one, respectively).

36. SUBSEQUENT EVENTS

Plan to Acquire Jetty

On May 18, 2022, the Company and Lemurian, Inc. ("Jetty"), a California-based producer of high-quality cannabis extracts and clean vape technology, announced that they entered into definitive agreements (the "Jetty Agreements") providing Canopy Growth, by way of a wholly-owned subsidiary, the right to acquire, upon federal permissibility of THC in the U.S. or earlier at our election, up to 100% of the outstanding capital stock of Jetty.

Under the Jetty Agreements, the Company will make aggregate upfront payments in the amount of approximately US\$69,000, payable through a combination of cash and Canopy Growth common shares, a majority of which will be in Canopy Growth common shares, in exchange for approximately 75% of the equity interests in Jetty, subject to certain adjustments. Upon exercise of the rights to acquire up to 100% of the equity interests in Jetty covered by the first option agreement, the Company will make an additional payment pursuant to the terms of the Jetty Agreements, also to be satisfied through a combination of cash and Canopy Growth common shares.

Until such time as the Company elects to exercise its rights to acquire Jetty, the Company will have no direct or indirect economic or voting interests in Jetty, the Company will not directly or indirectly control Jetty, and the Company, on the one hand, and Jetty, on the other hand, will continue to operate independently of one another.