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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

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

|   | <b>September 30,<br/>2022</b> | <b>March 31,<br/>2022</b> |
|---|-------------------------------|---------------------------|
| <b>ASSETS</b>   |                               |                           |
| Current assets:   |                               |                           |
| Cash and cash equivalents   | \$ 746,719                    | \$ 776,005                |
| Short-term investments  | 396,702                       | 595,651                   |
| Restricted short-term investments   | 12,352                        | 12,216                    |
| Amounts receivable, net   | 108,236                       | 96,443                    |
| Inventory   | 211,209                       | 204,387                   |
| Prepaid expenses and other assets   | 62,957                        | 52,700                    |
| Total current assets  | 1,538,175                     | 1,737,402                 |
| Other financial assets  | 625,059                       | 800,328                   |
| Property, plant and equipment   | 864,523                       | 942,780                   |
| Intangible assets   | 223,501                       | 252,695                   |
| Goodwill  | 136,513                       | 1,866,503                 |
| Other assets  | 14,499                        | 15,342                    |
| Total assets  | <u>\$ 3,402,270</u>           | <u>\$ 5,615,050</u>       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                               |                           |
| Current liabilities:  |                               |                           |
| Accounts payable  | \$ 68,203                     | \$ 64,270                 |
| Other accrued expenses and liabilities  | 88,577                        | 75,278                    |
| Current portion of long-term debt   | 321,976                       | 9,296                     |
| Other liabilities   | 63,645                        | 64,054                    |
| Total current liabilities   | 542,401                       | 212,898                   |
| Long-term debt  | 1,032,134                     | 1,491,695                 |
| Deferred income tax liabilities   | 9,758                         | 15,991                    |
| Liability arising from Acreage Arrangement  | -                             | 47,000                    |
| Warrant derivative liability  | 691                           | 26,920                    |
| Other liabilities   | 153,257                       | 190,049                   |
| Total liabilities   | 1,738,241                     | 1,984,553                 |
| Commitments and contingencies   |                               |                           |
| Redeemable noncontrolling interest  | 35,900                        | 36,200                    |
| Canopy Growth Corporation shareholders' equity:   |                               |                           |
| Common shares - \$nil par value; Authorized - unlimited number of shares;<br>Issued - 480,260,882 shares and 394,422,604 shares, respectively | 7,818,089                     | 7,482,809                 |
| Additional paid-in capital  | 2,516,811                     | 2,519,766                 |
| Accumulated other comprehensive loss  | (33,707)                      | (42,282)                  |
| Deficit   | (8,676,020)                   | (6,370,337)               |
| Total Canopy Growth Corporation shareholders' equity  | 1,625,173                     | 3,589,956                 |
| Noncontrolling interests  | 2,956                         | 4,341                     |
| Total shareholders' equity  | 1,628,129                     | 3,594,297                 |
| Total liabilities and shareholders' equity  | <u>\$ 3,402,270</u>           | <u>\$ 5,615,050</u>       |

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

**CANOPY GROWTH CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF**  
**OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**

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

|  | <u>Three months ended September 30,</u> |             | <u>Six months ended September 30,</u> |             |
|--|---|-------------|---------------------------------------|-------------|
|  | <u>2022</u>                             | <u>2021</u> | <u>2022</u>                           | <u>2021</u> |
| Revenue  | \$ 130,359                              | \$ 145,648  | \$ 253,221                            | \$ 301,071  |
| Excise taxes   | 12,496                                  | 14,274      | 25,243                                | 33,488      |
| Net revenue  | 117,863                                 | 131,374     | 227,978                               | 267,583     |
| Cost of goods sold   | 114,042                                 | 202,514     | 225,549                               | 311,485     |
| Gross margin   | 3,821                                   | (71,140)    | 2,429                                 | (43,902)    |
| Operating expenses   |   |             |                                       |             |
| Selling, general and administrative expenses   | 125,842                                 | 125,756     | 229,255                               | 238,330     |
| Share-based compensation   | 9,858                                   | 15,953      | 15,297                                | 29,079      |
| Asset impairment and restructuring costs   | 43,968                                  | 2,510       | 1,771,953                             | 91,759      |
| Total operating expenses   | 179,668                                 | 144,219     | 2,016,505                             | 359,168     |
| Operating loss   | (175,847)                               | (215,359)   | (2,014,076)                           | (403,070)   |
| Loss from equity method investments  | -                                       | -           | -                                     | (100)       |
| Other income (expense), net  | (47,844)                                | 195,821     | (293,422)                             | 776,487     |
| (Loss) income before income taxes  | (223,691)                               | (19,538)    | (2,307,498)                           | 373,317     |
| Income tax (expense) recovery  | (8,220)                                 | 3,207       | (11,969)                              | 307         |
| Net (loss) income  | (231,911)                               | (16,331)    | (2,319,467)                           | 373,624     |
| Net loss attributable to noncontrolling interests and redeemable noncontrolling interest           | (10,105)                                | (5,273)     | (14,513)                              | (7,736)     |
| Net (loss) income attributable to Canopy Growth Corporation  | \$ (221,806)                            | \$ (11,058) | \$ (2,304,954)                        | \$ 381,360  |
| Basic (loss) earnings per share  | \$ (0.47)                               | \$ (0.03)   | \$ (5.30)                             | \$ 0.98     |
| Basic weighted average common shares outstanding   | 471,592,150                             | 393,274,758 | 435,229,653                           | 388,696,975 |
| Diluted (loss) earnings per share  | \$ (0.47)                               | \$ (0.03)   | \$ (5.30)                             | \$ 0.72     |
| Diluted weighted average common shares outstanding   | 471,592,150                             | 393,274,758 | 435,229,653                           | 409,158,915 |
| Comprehensive (loss) income:   |   |             |                                       |             |
| Net (loss) income  | \$ (231,911)                            | \$ (16,331) | \$ (2,319,467)                        | \$ 373,624  |
| Other comprehensive income (loss), net of income tax effect  |   |             |                                       |             |
| Fair value changes of own credit risk of financial liabilities                                     | 1,249                                   | 9,420       | 28,309                                | 10,080      |
| Foreign currency translation   | 9,015                                   | 24,650      | 9,773                                 | (3,288)     |
| Total other comprehensive income (loss), net of income tax effect                                  | 10,264                                  | 34,070      | 38,082                                | 6,792       |
| Comprehensive (loss) income  | (221,647)                               | 17,739      | (2,281,385)                           | 380,416     |
| Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interest | (10,105)                                | (5,273)     | (14,513)                              | (7,736)     |
| Comprehensive (loss) income attributable to Canopy Growth Corporation                              | \$ (211,542)                            | \$ 23,012   | \$ (2,266,872)                        | \$ 388,152  |

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

**CANOPY GROWTH CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands of Canadian dollars, unaudited)

|  | 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, 2022                              | \$ 7,482,809        | \$ 492,041                 | \$ 2,581,788        | \$ (509,723)        | \$ (44,340)                        | \$ (42,282)                                   | \$ (6,370,337)        | \$ 4,341                 | \$ 3,594,297        |
| Cumulative effect from adoption of ASU 2020-06         | -                   | 4,452                      | -                   | -                   | -                                  | -   | (729)                 | -                        | 3,723               |
| Other issuances of common shares and warrants          | 60,222              | (353)                      | -                   | -                   | -                                  | -   | -                     | -                        | 59,869              |
| Exercise of Omnibus Plan stock options                 | 1,506               | (1,236)                    | -                   | -                   | -                                  | -   | -                     | -                        | 270                 |
| Share-based compensation                               | -                   | 14,838                     | -                   | -                   | -                                  | -   | -                     | -                        | 14,838              |
| Issuance and vesting of restricted share units         | 8,287               | (8,287)                    | -                   | -                   | -                                  | -   | -                     | -                        | -                   |
| Changes in redeemable noncontrolling interest          | -                   | -                          | -                   | -                   | (12,369)                           | -   | -                     | 12,669                   | 300                 |
| Ownership changes relating to noncontrolling interests | -                   | -                          | -                   | -                   | -                                  | -   | -                     | 459                      | 459                 |
| Settlement of unsecured senior notes                   | 265,265             | -                          | -                   | -                   | -                                  | (29,507)                                      | -                     | -                        | 235,758             |
| Comprehensive income (loss)                            | -                   | -                          | -                   | -                   | -                                  | 38,082  | (2,304,954)           | (14,513)                 | (2,281,385)         |
| Balance at September 30, 2022                          | <u>\$ 7,818,089</u> | <u>\$ 501,455</u>          | <u>\$ 2,581,788</u> | <u>\$ (509,723)</u> | <u>\$ (56,709)</u>                 | <u>\$ (33,707)</u>                            | <u>\$ (8,676,020)</u> | <u>\$ 2,956</u>          | <u>\$ 1,628,129</u> |

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

**CANOPY GROWTH CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands of Canadian dollars, unaudited)

|   | Common shares       | Additional paid-in capital |                     |                     | Redeemable noncontrolling interest | Accumulated other comprehensive income (loss) | Deficit               | Noncontrolling interests | Total               |
|---|---------------------|----------------------------|---------------------|---------------------|------------------------------------|---|-----------------------|--------------------------|---------------------|
|   |                     | Share-based reserve        | Warrants            | Ownership changes   |                                    |   |                       |                          |                     |
| 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                           | 288,493             | (26,097)                   | -                   | -                   | -                                  | -   | -                     | -                        | 262,396             |
| Replacement equity instruments from the acquisition of Supreme Cannabis | -                   | 5,566                      | 13,350              | -                   | -                                  | -   | -                     | -                        | 18,916              |
| Exercise of Omnibus Plan stock options                                  | 7,812               | (2,926)                    | -                   | -                   | -                                  | -   | -                     | -                        | 4,886               |
| Share-based compensation  | -                   | 28,554                     | -                   | -                   | -                                  | -   | -                     | -                        | 28,554              |
| Issuance and vesting of restricted share units                          | 3,855               | (3,855)                    | -                   | -                   | -                                  | -   | -                     | -                        | -                   |
| Changes in redeemable noncontrolling interest                           | -                   | -                          | -                   | -                   | 58,164                             | -   | -                     | 7,736                    | 65,900              |
| Ownership changes relating to noncontrolling interests                  | -                   | -                          | -                   | -                   | -                                  | -   | -                     | 524                      | 524                 |
| Redemption of redeemable noncontrolling interest                        | -                   | -                          | -                   | 2,617               | (5,109)                            | -   | -                     | -                        | (2,492)             |
| Comprehensive income (loss)   | -                   | -                          | -                   | -                   | -                                  | 6,792   | 381,360               | (7,736)                  | 380,416             |
| Balance at September 30, 2021   | <u>\$ 7,468,717</u> | <u>\$ 482,028</u>          | <u>\$ 2,581,788</u> | <u>\$ (509,723)</u> | <u>\$ (68,179)</u>                 | <u>\$ (27,448)</u>                            | <u>\$ (5,686,796)</u> | <u>\$ 5,233</u>          | <u>\$ 4,245,620</u> |

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

**CANOPY GROWTH CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of Canadian dollars, unaudited)

|   | Six months ended September 30, |                   |
|---|--------------------------------|-------------------|
|   | 2022                           | 2021              |
| <b>Cash flows from operating activities:</b>  |                                |                   |
| Net (loss) income   | \$ (2,319,467)                 | \$ 373,624        |
| Adjustments to reconcile net loss to net cash used in operating activities:                 |                                |                   |
| Depreciation of property, plant and equipment   | 29,608                         | 37,108            |
| Amortization of intangible assets   | 13,536                         | 16,804            |
| Share of loss on equity method investments  | -                              | 100               |
| Share-based compensation  | 15,297                         | 29,079            |
| Asset impairment and restructuring costs  | 1,783,784                      | 80,690            |
| Income tax expense (recovery)   | 11,969                         | (307)             |
| Non-cash fair value adjustments and charges related to settlement of unsecured senior notes | 231,704                        | (834,090)         |
| Change in operating assets and liabilities, net of effects from purchases of businesses:    |                                |                   |
| Amounts receivable  | (11,793)                       | 12,354            |
| Inventory   | (6,822)                        | (3,423)           |
| Prepaid expenses and other assets   | (17,567)                       | 40,208            |
| Accounts payable and accrued liabilities  | 14,842                         | 3,778             |
| Other, including non-cash foreign currency  | (19,006)                       | (7,670)           |
| Net cash used in operating activities   | <u>(273,915)</u>               | <u>(251,745)</u>  |
| <b>Cash flows from investing activities:</b>  |                                |                   |
| Purchases of and deposits on property, plant and equipment                                  | (4,308)                        | (35,658)          |
| Purchases of intangible assets  | (938)                          | (2,729)           |
| Proceeds on sale of property, plant and equipment   | 10,784                         | 2,290             |
| Redemption (purchases) of short-term investments  | 211,092                        | (705)             |
| Net cash proceeds on sale of subsidiaries   | 12,432                         | 10,324            |
| (Investment in) sale of other financial assets  | (29,205)                       | 110               |
| Net cash outflow on acquisition of subsidiaries   | -                              | (9,070)           |
| Other investing activities  | 7,143                          | (10,859)          |
| Net cash provided by (used in) investing activities   | <u>207,000</u>                 | <u>(46,297)</u>   |
| <b>Cash flows from financing activities:</b>  |                                |                   |
| Proceeds from issuance of common shares and warrants  | 856                            | 1,460             |
| Proceeds from exercise of stock options   | 270                            | 4,886             |
| Repayment of long-term debt   | (423)                          | (49,991)          |
| Other financing activities  | (13,116)                       | (3,036)           |
| Net cash used in financing activities   | <u>(12,413)</u>                | <u>(46,681)</u>   |
| Effect of exchange rate changes on cash and cash equivalents                                | 50,042                         | (2,309)           |
| Net decrease in cash and cash equivalents   | (29,286)                       | (347,032)         |
| Cash and cash equivalents, beginning of period  | 776,005                        | 1,154,653         |
| Cash and cash equivalents, end of period  | <u>\$ 746,719</u>              | <u>\$ 807,621</u> |

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

**CANOPY GROWTH CORPORATION**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of Canadian dollars, unaudited)

|   | Six months ended September 30, |           |
|---|--------------------------------|-----------|
|   | 2022                           | 2021      |
| <b>Supplemental disclosure of cash flow information</b> |                                |           |
| Cash received during the period:                        |                                |           |
| Income taxes  | \$ 4,709                       | \$ 87     |
| Interest  | \$ 13,092                      | \$ 9,269  |
| Cash paid during the period:                            |                                |           |
| Income taxes  | \$ 665                         | \$ 334    |
| Interest  | \$ 66,927                      | \$ 60,017 |
| Noncash investing and financing activities              |                                |           |
| Additions to property, plant and equipment              | \$ 211                         | \$ 2,961  |

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

**CANOPY GROWTH CORPORATION**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands of Canadian dollars, unaudited, unless otherwise indicated)

**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 herein 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 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.

**2. BASIS OF PRESENTATION**

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

Certain information and footnote disclosures normally included in the audited annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended March 31, 2022 (the “Annual Report”) and have been prepared on a basis consistent with the accounting policies as described in the Annual Report.

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

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

***Principles of consolidation***

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

***Use of estimates***

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

***New accounting policies***

***Recently Adopted Accounting Pronouncements***

***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 removing the separation



models for convertible debt instruments and convertible preferred stock with (1) cash conversion features, and (2) beneficial conversion features. 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.

The Company adopted the guidance on April 1, 2022, using the modified retrospective approach with the cumulative effect recognized as an adjustment to the opening deficit balance, and, accordingly, prior period balances and disclosures have not been restated. Upon adoption of ASU 2020-06, the Supreme Debentures (as defined below) will be accounted for under the separation model for a substantial premium instead of a beneficial conversion feature resulting in an increased debt discount to be amortized over the life of the instrument. The adoption of this guidance resulted in increased additional paid-in capital by \$4,452, decreased long-term debt by \$3,723, and decreased accumulated deficit by \$729 for non-cash accretion expense prior to April 1, 2022.

### 3. ASSET IMPAIRMENT AND RESTRUCTURING COSTS

In the three months ended June 30, 2022, the Company performed a quantitative goodwill impairment assessment for the cannabis operations reporting unit in the global cannabis segment, and recognized impairment losses totaling \$1,725,368. Refer to Note 12 for further details. Additionally, in the three months ended June 30, 2022, the Company recognized incremental costs primarily associated with the restructuring actions completed in the year ended March 31, 2022, including the closure of certain of its Canadian production facilities, and other operational changes initiated in the three months ended March 31, 2022 to: (i) implement cultivation-related efficiencies and improvements in the Canadian recreational cannabis business, and (ii) implement a flexible manufacturing platform, including contract manufacturing for certain product formats.

In the three months ended September 30, 2022, the Company recorded asset impairment and restructuring costs primarily related to:

- Impairment losses associated with the planned divestiture of the Company's Canadian retail operations. The Company entered into the following two agreements to divest its retail business in Canada, which includes the retail stores operating under the Tweed and Tokyo Smoke banners:
  - (i) An agreement with OEG Retail Cannabis ("OEGRC"), an existing Canopy Growth licensee partner, for OEGRC to acquire ownership of 23 of the Company's corporate-owned retail stores in Manitoba, Saskatchewan and Newfoundland and Labrador, as well as all Tokyo Smoke-related intellectual property (the "OEGRC Transaction"). Pursuant to the OEGRC Agreement, any acquired retail stores branded as Tweed will be rebranded by OEGRC, and the master franchise agreement between the Company and OEGRC pursuant to which OEGRC licenses the Tokyo Smoke brand in Ontario will be terminated upon closing of the transaction.
  - (ii) An agreement with 420 Investments Ltd. ("FOUR20"), a licensed cannabis retailer, pursuant to which FOUR20 will acquire ownership of five of the Company's corporate-owned retail stores in Alberta (the "FOUR20 Transaction"). Pursuant to the FOUR20 Agreement, the stores will be rebranded under FOUR20's retail banner upon closing of the transaction.

Closing of the OEGRC Transaction remains subject to regulatory approvals and other customary closing conditions. The FOUR20 Transaction closed on October 26, 2022. In connection with this planned divestiture, the Company recorded write-downs of property, plant and equipment, operating licenses and brand intangible assets, right-of-use assets, and certain other assets due to the excess of their carrying values over their estimated fair values.

- Incremental costs primarily associated with the restructuring actions completed in the year ended March 31, 2022, including the closure of certain of the Company's Canadian production facilities.
- Goodwill impairment losses of \$2,311 associated with one of the Company's reporting units (refer to Note 12 for further details) and asset impairment charges relating to certain acquired brand intangible assets.

As a result, in the three and six months ended September 30, 2022, the Company recognized asset impairment and restructuring costs of \$43,968 and \$1,771,953, respectively (three and six months ended September 30, 2021 – \$2,510 and \$91,759, respectively).

#### 4. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

|                  | September 30,<br>2022 | March 31,<br>2022 |
|------------------|-----------------------|-------------------|
| Cash             | \$ 428,289            | \$ 470,682        |
| Cash equivalents | 318,430               | 305,323           |
|                  | <u>\$ 746,719</u>     | <u>\$ 776,005</u> |

#### 5. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

|                            | September 30,<br>2022 | March 31,<br>2022 |
|----------------------------|-----------------------|-------------------|
| Term deposits              | \$ 229,711            | \$ 319,092        |
| Government securities      | 12,844                | 22,253            |
| Asset-backed securities    | 2,318                 | 21,905            |
| Commercial paper and other | 151,829               | 232,401           |
|                            | <u>\$ 396,702</u>     | <u>\$ 595,651</u> |

The amortized cost of short-term investments at September 30, 2022 is \$391,918 (March 31, 2022 – \$599,862).

#### 6. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

|                           | September 30,<br>2022 | March 31,<br>2022 |
|---------------------------|-----------------------|-------------------|
| Accounts receivable, net  | \$ 91,097             | \$ 78,059         |
| Indirect taxes receivable | 7,849                 | 7,524             |
| Interest receivable       | 4,616                 | 4,406             |
| Other receivables         | 4,674                 | 6,454             |
|                           | <u>\$ 108,236</u>     | <u>\$ 96,443</u>  |

Included in the accounts receivable, net balance at September 30, 2022 is an allowance for doubtful accounts of \$6,303 (March 31, 2022 – \$4,764).

#### 7. INVENTORY

The components of inventory are as follows:

|   | September 30,<br>2022 | March 31,<br>2022 |
|---|-----------------------|-------------------|
| Raw materials, packaging supplies and consumables | \$ 31,270             | \$ 26,821         |
| Work in progress                                  | 59,880                | 65,245            |
| Finished goods                                    | 120,059               | 112,321           |
|   | <u>\$ 211,209</u>     | <u>\$ 204,387</u> |

In the three and six months ended September 30, 2022, the Company recorded write-downs related to inventory in cost of goods sold of \$10,977 and \$23,158, respectively (three and six months ended September 30, 2021 – \$86,837 and \$92,851, respectively).

## 8. PREPAID EXPENSES AND OTHER ASSETS

The components of prepaid expenses and other assets are as follows:

|                   | September 30,<br>2022 | March 31,<br>2022 |
|-------------------|-----------------------|-------------------|
| Prepaid expenses  | \$ 40,679             | \$ 23,041         |
| Deposits          | 8,482                 | 10,145            |
| Prepaid inventory | 661                   | 449               |
| Other assets      | 13,135                | 19,065            |
|                   | <u>\$ 62,957</u>      | <u>\$ 52,700</u>  |

## 9. OTHER FINANCIAL ASSETS

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

| Entity  | Instrument            | Balance at<br>March 31,<br>2022 | Additions        | Fair value<br>changes | Foreign<br>currency<br>translation<br>adjustments | Other             | Balance at<br>September 30,<br>2022 |
|---|-----------------------|---------------------------------|------------------|-----------------------|---|-------------------|-------------------------------------|
| Acreage <sup>1</sup>                            | Option                | \$ -                            | \$ -             | \$ 72,000             | \$ -  | \$ -              | \$ 72,000                           |
| TerrAscend Exchangeable Shares                  | Exchangeable shares   | 229,000                         | -                | (175,500)             | -   | -                 | 53,500                              |
| TerrAscend Canada - October 2019                | Term loan / debenture | 10,280                          | -                | (220)                 | -   | -                 | 10,060                              |
| TerrAscend Canada - March 2020                  | Term loan / debenture | 49,890                          | -                | (4,870)               | -   | -                 | 45,020                              |
| Arise Bioscience                                | Term loan / debenture | 13,343                          | -                | (1,584)               | 1,268   | -                 | 13,027                              |
| TerrAscend - October 2019                       | Warrants              | 3,730                           | -                | (3,510)               | -   | -                 | 220                                 |
| TerrAscend - March 2020                         | Warrants              | 60,740                          | -                | (55,390)              | -   | -                 | 5,350                               |
| TerrAscend - December 2020                      | Warrants              | 3,460                           | -                | (3,020)               | -   | -                 | 440                                 |
| TerrAscend                                      | Option                | 6,300                           | -                | (4,850)               | -   | -                 | 1,450                               |
| Wana  | Option                | 372,343                         | -                | (119,161)             | 27,989  | -                 | 281,171                             |
| Jetty   | Options               | -                               | 90,120           | 388                   | 6,986   | -                 | 97,494                              |
| Acreage Hempco <sup>1</sup>                     | Debenture             | 28,824                          | -                | (1,769)               | 2,885   | (4,218)           | 25,722                              |
| Other - at fair value through net income (loss) | Various               | 10,396                          | -                | (3,454)               | 662   | -                 | 7,604                               |
| Other - classified as held for investment       | Loan receivable       | 12,022                          | -                | -                     | -   | (21)              | 12,001                              |
|   |                       | <u>\$ 800,328</u>               | <u>\$ 90,120</u> | <u>\$ (300,940)</u>   | <u>\$ 39,790</u>                                  | <u>\$ (4,239)</u> | <u>\$ 625,059</u>                   |

<sup>1</sup> See Note 26 for information regarding the Acreage Arrangement and Acreage Hempco.

<sup>2</sup> See Note 28 for information regarding the Reorganization. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds an ownership interest in the U.S. cannabis investments previously held by the Company, including, among others, interests in Acreage, Wana, Jetty, and TerrAscend.

## Jetty

On May 17, 2022, the Company and Lemurian, Inc. ("Jetty") entered into definitive agreements (the "Jetty Agreements") providing the Company with the right to acquire up to 100% of the outstanding equity interests in Jetty (i) upon the occurrence 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; or (ii) an earlier date at the Company's sole discretion (the "Jetty Triggering Event").

The Jetty Agreements are structured as two separate option agreements whereby the Company has the right to acquire up to 100% of the equity interests in Jetty. As consideration for entering into the Jetty Agreements, the Company (i) made an upfront cash payment in the amount of \$29,226 (US\$22,911), and (ii) issued 8,426,539 common shares with a fair value on closing of \$59,123 (US\$45,928), for total consideration of \$88,349 (collectively, the "Upfront Payment").

The first option agreement is exercisable in two tranches, with the first tranche providing the Company with the option to acquire 52.78% of Jetty's equity interests, exercisable following the occurrence of the Jetty Triggering Event. The second tranche provides the Company with the option to acquire 25% of Jetty's equity interests for their fair market value, subject to certain adjustments. Additionally, the Company expects to make deferred payments (the "Deferred Payments") computed based on a pre-determined contractual formula. The second option agreement provides the Company with the option to acquire 22.22% of Jetty's equity interests, exercisable following the occurrence of the Jetty Triggering Event.

Upon initial recognition, the Company estimated the fair value of the Jetty financial instrument to be \$90,120, consisting of (i) the Upfront Payment as noted above; and (ii) the present value of the estimated Deferred Payments.

At September 30, 2022, the estimated fair value of the Jetty financial instrument was \$97,494, with the change in estimated fair value from initial recognition recorded in other income (expense), net. See Note 21 for additional details on how the fair value of the Jetty financial instrument is calculated on a recurring basis.

See Note 28 for information regarding the Company's strategic transactions in connection with the creation of a new U.S.-domiciled holding company, Canopy USA, LLC ("Canopy USA") (the "Reorganization"). Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds the U.S. cannabis investments previously held by the Company, which is expected to enable Canopy USA, following, among other things, the Meeting (as defined below), to exercise its rights to acquire Acreage Holdings, Inc. ("Acreage"), Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, "Wana"), and Jetty.

Until such time as the Company or Canopy USA (as applicable) elects to exercise its rights to acquire Jetty and the Company converts the Non-Voting Shares (as defined below) into common shares of Canopy USA, 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 and Jetty will continue to operate independently of one another.

## 10. PROPERTY, PLANT AND EQUIPMENT

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

|                                    | September 30,<br>2022 | March 31,<br>2022 |
|------------------------------------|-----------------------|-------------------|
| Buildings and greenhouses          | \$ 733,399            | \$ 766,931        |
| Production and warehouse equipment | 114,768               | 159,314           |
| Leasehold improvements             | 65,545                | 69,304            |
| Office and lab equipment           | 26,420                | 29,879            |
| Computer equipment                 | 19,817                | 22,293            |
| Land                               | 17,515                | 18,917            |
| Right-of-use-assets                |                       |                   |
| Buildings and greenhouses          | 85,144                | 89,228            |
| Production and warehouse equipment | 27                    | 55                |
| Assets in process                  | 13,715                | 19,771            |
|                                    | <u>1,076,350</u>      | <u>1,175,692</u>  |
| Less: Accumulated depreciation     | (211,827)             | (232,912)         |
|                                    | <u>\$ 864,523</u>     | <u>\$ 942,780</u> |

Depreciation expense included in cost of goods sold for the three and six months ended September 30, 2022 is \$11,316 and \$22,390, respectively (three and six months ended September 30, 2021 – \$14,388 and \$24,850, respectively). Depreciation expense included in selling, general and administrative expenses for the three and six months ended September 30, 2022 is \$3,163 and \$7,218, respectively (three and six months ended September 30, 2021 – \$5,604 and \$12,258, respectively).

## 11. INTANGIBLE ASSETS

The components of intangible assets are as follows:

|   | September 30, 2022    |                     | March 31, 2022        |                     |
|---|-----------------------|---------------------|-----------------------|---------------------|
|   | Gross Carrying Amount | Net Carrying Amount | Gross Carrying Amount | Net Carrying Amount |
| <b>Finite lived intangible assets</b>     |                       |                     |                       |                     |
| Intellectual property                     | \$ 135,256            | \$ 89,214           | \$ 138,170            | \$ 97,638           |
| Distribution channel                      | 71,997                | 22,515              | 72,642                | 24,834              |
| Operating licenses                        | 24,400                | 20,528              | 24,400                | 22,052              |
| Software and domain names                 | 35,718                | 16,184              | 29,822                | 14,206              |
| Brands                                    | 5,383                 | 3,224               | 5,547                 | 3,680               |
| Amortizable intangibles in process        | 1,358                 | 1,358               | 5,476                 | 5,476               |
| Total                                     | <u>\$ 274,112</u>     | <u>\$ 153,023</u>   | <u>\$ 276,057</u>     | <u>\$ 167,886</u>   |
| <b>Indefinite lived intangible assets</b> |                       |                     |                       |                     |
| Acquired brands                           |                       | \$ 70,478           |                       | \$ 74,809           |
| Operating licenses                        |                       | -                   |                       | 10,000              |
| Total intangible assets                   |                       | <u>\$ 223,501</u>   |                       | <u>\$ 252,695</u>   |

Amortization expense included in cost of goods sold for the three and six months ended September 30, 2022 is \$15 and \$29, respectively (three and six months ended September 30, 2021 – \$25 and \$43, respectively). Amortization expense included in selling, general and administrative expenses for the three and six months ended September 30, 2022 is \$6,799 and \$13,507, respectively (three and six months ended September 30, 2021 – \$8,763 and \$16,761, respectively).

## 12. GOODWILL

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

|  |                   |
|--|-------------------|
| 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                  | \$ 1,866,503      |
| Disposal of consolidated entities        | (227)             |
| Impairment losses                        | (1,727,679)       |
| Foreign currency translation adjustments | (2,084)           |
| Balance, September 30, 2022              | <u>\$ 136,513</u> |

As a result of the continued decline in the price of the Company's common shares in the three months ended June 30, 2022, the Company determined there to be an indicator of impairment for the cannabis operations reporting unit in the global cannabis segment, which was a reportable segment in the three months ended June 30, 2022. As a result, the Company performed a quantitative interim goodwill impairment assessment for the cannabis operations reporting unit as of June 30, 2022. The Company concluded that the carrying value of the cannabis operations reporting unit was higher than its estimated fair value, and a goodwill impairment loss totaling \$1,725,368 was recognized in the three months ended June 30, 2022, representing the entirety of the goodwill assigned to the cannabis operations reporting unit.

The estimated fair value of the cannabis operations reporting unit was determined using the market valuation method, which is consistent with the methodology used by the Company for its annual impairment test conducted at March 31, 2022. The most significant assumptions used in applying this method were (i) the price of the Company's common shares; and (ii) the estimated control premium associated with ownership of the Company's common shares.

While the Company changed its reportable segments in the three months ended September 30, 2022 (refer to Note 27), there were no changes to the composition of the Company's reporting units to which goodwill remains assigned at September 30, 2022. In the three months ended September 30, 2022, the Company determined there to be indicators of impairment for one of its other reporting units as slower growth rates resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation. As a result, the Company performed a quantitative interim goodwill impairment test for the reporting unit as of September 30, 2022 and concluded that the carrying value of the reporting unit was higher than its estimated fair value, as determined using the income valuation method. The Company recognized a goodwill impairment loss totaling \$2,311 in the three months ended September 30, 2022, representing the entirety of the goodwill assigned to the reporting unit.

For the remaining reporting units, the Company does not believe that an event occurred or circumstances changed during the three months ended September 30, 2022 that would, more likely than not, reduce the fair value of these reporting units below their carrying value. Therefore, the Company concluded that the quantitative goodwill impairment assessment was not required for the remaining reporting units at September 30, 2022. The carrying value of goodwill associated with all other reporting units was \$136,513 at September 30, 2022.

The Company is required to perform its next annual goodwill impairment analysis on March 31, 2023, or earlier should there be an event that occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

### 13. OTHER ACCRUED EXPENSES AND LIABILITIES

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

|                           | September 30,<br>2022 | March 31,<br>2022 |
|---------------------------|-----------------------|-------------------|
| Employee compensation     | \$ 26,261             | \$ 24,873         |
| Inventory                 | 809                   | 10,096            |
| Professional fees         | 15,502                | 7,640             |
| Taxes and government fees | 6,090                 | 7,144             |
| Other                     | 39,915                | 25,525            |
|                           | <u>\$ 88,577</u>      | <u>\$ 75,278</u>  |

### 14. DEBT

The components of debt are as follows:

|   | <u>Maturity Date</u> | September 30,<br>2022 | March 31,<br>2022   |
|---|----------------------|-----------------------|---------------------|
| Unsecured senior notes at 4.25% interest with semi-annual interest payments | July 15, 2023        |                       |                     |
| Principal amount  |                      | \$ 337,380            | \$ 600,000          |
| Accrued interest  |                      | 3,148                 | 5,958               |
| Non-credit risk fair value adjustment                                       |                      | 13,680                | 7,140               |
| Credit risk fair value adjustment   |                      | (33,080)              | (49,140)            |
|   |                      | 321,128               | 563,958             |
| Convertible debentures  | September 10, 2025   | 31,507                | 32,858              |
| Accretion debentures  | September 10, 2025   | 8,234                 | 7,720               |
| Credit facility   | March 18, 2026       | 990,909               | 893,647             |
| Other revolving debt facility, loan, and financings                         |                      | 2,332                 | 2,808               |
|   |                      | 1,354,110             | 1,500,991           |
| Less: current portion   |                      | (321,976)             | (9,296)             |
| Long-term portion   |                      | <u>\$ 1,032,134</u>   | <u>\$ 1,491,695</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 had the ability to obtain up to an additional US\$500,000 of incremental senior secured debt pursuant to the Credit Agreement. As described in Note 28, in connection with the balance sheet actions completed as part of the creation of Canopy USA, the Company entered into

agreements with certain of its lenders party to the Credit Agreement to complete the Paydown (as defined below), which will result in the Company tendering US\$187,500 of principal amount outstanding under the Credit Agreement. The Company also agreed to certain Amendments (as defined below) to the Credit Agreement with its lenders which, among other things, eliminated the additional US\$500,000 incremental term loan facility.

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; however, as a result of the Amendments, such minimum liquidity covenant has been reduced to US\$100,000, which is to be reduced as payments are made in accordance with the Paydown.

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

### ***Unsecured Senior Notes***

On June 20, 2018, the Company issued unsecured 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. 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.

On June 29, 2022 and June 30, 2022, the Company entered into privately negotiated exchange agreements (the "Exchange Agreements") with a limited number of holders of the Notes including Greenstar Canada Investment Limited Partnership ("Greenstar"), a wholly-owned subsidiary of Constellation Brands, Inc. ("CBI") (collectively, the "Noteholders"). Pursuant to the Exchange Agreements, the Company agreed to acquire and cancel approximately \$262,620 of aggregate principal amount of the Notes from the Noteholders (the "Exchange Transaction") for an aggregate purchase price (excluding \$5,383 paid to the Noteholders in cash for accrued and unpaid interest) of \$259,994 (the "Purchase Price"), which was payable in the Company's common shares.

On the initial closings, 35,662,420 common shares were to be issued to the Noteholders, other than Greenstar, based on a price equal to US\$3.50 per common share, which was the closing price of the common shares on the Nasdaq Global Select Market ("Nasdaq") on June 29, 2022. The Company satisfied the Purchase Price as follows:

- On June 30, 2022, 14,069,353 common shares were issued to Noteholders, representing the Company's acquisition and cancellation of an aggregate principal amount of Notes of \$63,098, which were recorded at a fair value of \$50,866.
- In July 2022, 21,593,067 common shares were issued to Noteholders, representing an aggregate principal amount of Notes of \$99,522, which were recorded at a fair value of \$76,424 upon acquisition and cancellation.
- On the final closing on July 18, 2022 (the "Final Closing"), 11,896,536 common shares were issued to Noteholders other than Greenstar, based on the volume-weighted average trading price of the common shares on the Nasdaq for the 10 consecutive trading days beginning on, and including, June 30, 2022, being US\$2.6245 (the "Averaging Price").
- In addition, on the Final Closing on July 18, 2022, 29,245,456 common shares were issued to Greenstar based on a price per common share equal to the Averaging Price. Pursuant to the Exchange Transaction, the Company agreed to acquire and cancel \$100,000 in aggregate principal amount, which were recorded at a fair value of \$98,078 upon acquisition and cancellation. Prior to the completion of the Exchange Transaction, Greenstar held \$200,000 in aggregate principal amount of the Notes.

In total, 62,735,059 common shares were issued in July 2022, representing the Company's acquisition and cancellation of an aggregate principal amount of Notes of \$199,522, and a total of 76,804,412 common shares were issued in June and July 2022, representing the Company's acquisition and cancellation of an aggregate principal amount of Notes of \$262,620.

The Notes were issued pursuant to an indenture dated June 20, 2018, as supplemented on April 30, 2019 and June 29, 2022 (collectively, the "Indenture"). As a result of a supplement to the Indenture dated June 29, 2022 (the "Second Supplemental Indenture"), the Company irrevocably surrendered its right to settle the conversion of any Note with its common shares. As a result, all conversions of Notes following the execution of the Second Supplemental Indenture will be settled entirely in cash.



The Noteholders may redeem the Notes at their option at any time from January 15, 2023 to the maturity date. In addition, the holder has the right to redeem the Notes from September 30, 2018 to January 15, 2023, if (i) the market price of the Company's 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 the CBI and its affiliates (together, the "CBI Group") in the Company in November 2018, and no holders of Notes surrendered any portion of their Notes in connection therewith.

Under the terms of the Indenture, if a Fundamental Change occurs and a holder elects to redeem 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, upon conversion by the holder, will settle in cash, subject to certain circumstances.

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 can 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 initial 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.

The Notes were initially recognized at fair value on the balance sheet and continue to be recorded at fair value. 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 (expense), net. The changes in fair value related to the Company's own credit risk are recorded through other comprehensive income (loss). During the three and six months ended September 30, 2022, the Company acquired and cancelled an aggregate principal amount of Notes of \$199,522 and \$262,620, respectively, which resulted in a release of accumulated other comprehensive income into other income (expense), net for the three and six months ended September 30, 2022 of \$33,709 and \$44,370, respectively. The related tax impact of \$11,291 and \$14,862 for the three and six months ended September 30, 2022, respectively, associated with the aggregate principal amount acquired and cancelled was also released from accumulated other comprehensive income into income tax expense. Refer to Note 19.

In connection with the Exchange Transaction, in the three months ended June 30, 2022, the Company recognized a derivative liability of \$26,594 in connection with the incremental common shares that were potentially issuable to Noteholders, other than Greenstar, as at June 30, 2022 at the Averaging Price on the Final Closing. The derivative liability, and associated fair value changes in the three and six months ended September 30, 2022, were recorded through other income (expense), net. The derivative liability with a fair value of \$39,896 was de-recognized upon Final Closing on July 18, 2022.

The overall change in fair value of the Notes during the three and six months ended September 30, 2022, was a decrease of \$173,288 and a decrease of \$242,830, respectively (three and six months ended September 30, 2021, a decrease of \$52,194 and a decrease of \$103,566, respectively), which included contractual interest of \$3,740 and \$9,787, respectively (three and six months ended September 30, 2021 – \$6,306 and \$12,684, respectively) and principal redemption of \$199,522 and \$262,620, respectively. Upon redemption, the principal redeemed during the three and six months ended September 30, 2022 had a fair value of \$174,503 and \$225,369, respectively. Refer to Note 21 for additional details on how the fair value of the Notes is calculated.

### ***Supreme Cannabis Convertible Debentures and Accretion Debentures***

On October 19, 2018, The Supreme Cannabis Company, Inc. ("Supreme Cannabis") 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 the common shares of Supreme Cannabis (the "Supreme Shares"). 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 completion of an arrangement, on June 22, 2021 by the Company and Supreme Cannabis, pursuant to which the Company acquired 100% of the issued and outstanding Supreme Shares (the “Supreme Arrangement”), 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.

## 15. OTHER LIABILITIES

The components of other liabilities are as follows:

|  | As at September 30, 2022 |                   |                   | As at March 31, 2022 |                   |                   |
|--|--------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
|  | Current                  | Long-term         | Total             | Current              | Long-term         | Total             |
| Lease liabilities  | \$ 37,119                | \$ 91,270         | \$ 128,389        | \$ 38,035            | \$ 101,125        | \$ 139,160        |
| Acquisition consideration and other investment related liabilities | 5,041                    | 51,752            | 56,793            | 4,020                | 77,834            | 81,854            |
| Refund liability   | 2,371                    | -                 | 2,371             | 3,437                | -                 | 3,437             |
| Settlement liabilities and other                                   | 19,114                   | 10,235            | 29,349            | 18,562               | 11,090            | 29,652            |
|  | <u>\$ 63,645</u>         | <u>\$ 153,257</u> | <u>\$ 216,902</u> | <u>\$ 64,054</u>     | <u>\$ 190,049</u> | <u>\$ 254,103</u> |

The estimated deferred payments associated with the Wana financial instrument within acquisition consideration and other investment related liabilities at September 30, 2022 is \$44,419 (March 31, 2022 – \$70,066).

## 16. REDEEMABLE NONCONTROLLING INTEREST

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

|  | Vert             | BioSteel         | Total            |
|--|------------------|------------------|------------------|
|  | Mirabel          |                  |                  |
| As at March 31, 2022   | \$ 1,000         | \$ 35,200        | \$ 36,200        |
| Net income (loss) attributable to redeemable noncontrolling interest | 1,050            | (13,719)         | (12,669)         |
| Adjustments to redemption amount                                     | (1,050)          | 13,419           | 12,369           |
| As at September 30, 2022   | <u>\$ 1,000</u>  | <u>\$ 34,900</u> | <u>\$ 35,900</u> |
|  | Vert             | BioSteel         | Total            |
|  | Mirabel          |                  |                  |
| As at March 31, 2021   | \$ 11,500        | \$ 123,800       | \$ 135,300       |
| Net income (loss) attributable to redeemable noncontrolling interest | 587              | (8,323)          | (7,736)          |
| Adjustments to redemption amount                                     | (587)            | (52,468)         | (53,055)         |
| Redemption of redeemable noncontrolling interest                     |                  | (5,109)          | (5,109)          |
| As at September 30, 2021   | <u>\$ 11,500</u> | <u>\$ 57,900</u> | <u>\$ 69,400</u> |

## 17. SHARE CAPITAL

### CANOPY GROWTH

#### Authorized

An unlimited number of common shares.

#### (i) Equity financings

There were no equity financings during the six months ended September 30, 2022 (six months ended September 30, 2021 - none).

#### (ii) Other issuances of common shares

During the six months ended September 30, 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<br>common shares | Share<br>capital | Share<br>based<br>reserve |
|------------------|----------------------------|------------------|---------------------------|
| Jetty Agreements | 8,426,539                  | \$ 59,013        | \$ -                      |
| Other issuances  | 237,802                    | 1,209            | (353)                     |
| Total            | <u>8,664,341</u>           | <u>\$ 60,222</u> | <u>\$ (353)</u>           |

During the six months ended September 30, 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<br>common shares | Share<br>capital  | Share<br>based<br>reserve |
|--------------------------------------|----------------------------|-------------------|---------------------------|
| Acquisition of Supreme Cannabis      | 9,013,400                  | \$ 260,668        | \$ -                      |
| Completion of acquisition milestones | 875,401                    | 25,247            | (25,692)                  |
| Other issuances                      | 120,361                    | 2,578             | (405)                     |
| Total                                | <u>10,009,162</u>          | <u>\$ 288,493</u> | <u>\$ (26,097)</u>        |

#### (iii) Warrants

|  | Number of<br>whole<br>warrants | Average<br>exercise<br>price | Warrant<br>value    |
|--|--------------------------------|------------------------------|---------------------|
| Balance outstanding at March 31, 2022 <sup>1</sup>     | 128,193,047                    | \$ 58.04                     | \$ 2,581,788        |
| Expiry of warrants                                     | -                              | -                            | -                   |
| Balance outstanding at September 30, 2022 <sup>1</sup> | <u>128,193,047</u>             | <u>\$ 58.04</u>              | <u>\$ 2,581,788</u> |

<sup>1</sup> This balance excludes the Tranche C Warrants (as defined below), which represent a derivative liability and have nominal value. See Note 26.

|  | Number of<br>whole<br>warrants | Average<br>exercise<br>price | Warrant<br>value    |
|--|--------------------------------|------------------------------|---------------------|
| Balance outstanding at March 31, 2021 <sup>1</sup>     | 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 September 30, 2021 <sup>1</sup> | <u>128,193,047</u>             | <u>\$ 58.04</u>              | <u>\$ 2,581,788</u> |

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

## 18. SHARE-BASED COMPENSATION

### CANOPY GROWTH CORPORATION SHARE-BASED COMPENSATION PLAN

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

On September 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 (the "Board") 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 48,026,088 at September 30, 2022. As of September 30, 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 (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. For the three and six months ended September 30, 2022, 237,802 common shares were issued under the Purchase Plan (three and six months ended September 30, 2021 – 61,103).

The following is a summary of the changes in the Options outstanding during the six months ended September 30, 2022:

|   | Options<br>issued | Weighted<br>average<br>exercise price |
|---|-------------------|---------------------------------------|
| Balance outstanding at March 31, 2022     | 16,782,962        | \$ 33.89                              |
| Options granted                           | 3,353,180         | 4.75                                  |
| Options exercised                         | (76,929)          | 3.41                                  |
| Options forfeited                         | (3,682,742)       | 32.74                                 |
| Balance outstanding at September 30, 2022 | <u>16,376,471</u> | <u>\$ 28.33</u>                       |

The following is a summary of the Options outstanding as at September 30, 2022:

| Range of Exercise Prices | Options Outstanding                  |  | Options Exercisable                  |  |
|--------------------------|--------------------------------------|--|--------------------------------------|--|
|                          | Outstanding at<br>September 30, 2022 | Weighted Average<br>Remaining<br>Contractual Life<br>(years) | Exercisable at<br>September 30, 2022 | Weighted Average<br>Remaining<br>Contractual Life<br>(years) |
| \$0.06 - \$24.62         | 5,870,999                            | 4.87   | 1,020,481                            | 1.91   |
| \$24.63 - \$33.53        | 3,499,768                            | 2.80   | 2,094,903                            | 2.37   |
| \$33.54 - \$36.80        | 2,363,464                            | 1.66   | 2,363,464                            | 1.66   |
| \$36.81 - \$42.84        | 2,002,420                            | 2.42   | 1,919,628                            | 2.17   |
| \$42.85 - \$67.64        | 2,639,820                            | 2.34   | 2,639,820                            | 2.34   |
|                          | <u>16,376,471</u>                    | <u>3.26</u>  | <u>10,038,296</u>                    | <u>2.11</u>  |

At September 30, 2022, the weighted average exercise price of Options outstanding and Options exercisable was \$28.33 and \$38.46, respectively (March 31, 2022 – \$33.89 and \$38.33, respectively).

The Company recorded \$3,008 and \$3,385 in share-based compensation expense related to Options and Purchase Plan shares issued to employees and contractors for the three and six months ended September 30, 2022, respectively (three and six months ended September 30, 2021 – \$10,298 and \$18,342, respectively). The share-based compensation expense for the six months ended September 30, 2022 includes an amount related to 1,173,866 Options being provided in exchange for services which are subject to performance conditions (for the six months ended September 30, 2021 – 1,559,413).

During the three months ended June 30, 2021, the Company issued replacement options to employees in relation to the acquisition of Supreme Cannabis and recorded share-based compensation expense of \$823.

The Company uses the Black-Scholes option pricing model to establish the fair value of Options granted during the three months ended September 30, 2022 and 2021, on their measurement date by applying the following assumptions:

|                                    | September 30,<br>2022 | September 30,<br>2021 |
|------------------------------------|-----------------------|-----------------------|
| Risk-free interest rate            | 2.94%                 | -                     |
| Expected life of options (years)   | 3 - 5                 | -                     |
| Expected volatility                | 77%                   | -                     |
| Expected forfeiture rate           | 20%                   | -                     |
| Expected dividend yield            | nil                   | -                     |
| Black-Scholes value of each option | \$2.17                | -                     |

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 six months ended September 30, 2022, 76,929 Options were exercised ranging in price from \$0.06 to \$8.18 for gross proceeds of \$271 (for the six months ended September 30, 2021 – 332,105 Options were exercised ranging in price from \$0.06 to \$36.34 for gross proceeds of \$4,886).

For the three and six months ended September 30, 2022, the Company recorded \$6,565 and \$11,453, respectively, in share-based compensation expense related to RSUs and PSUs (for the three and six months ended September 30, 2021 – \$3,690 and \$5,985, respectively).

The following is a summary of the changes in the Company’s RSUs and PSUs during the six months ended September 30, 2022:

|   | Number of RSUs<br>and PSUs |
|---|----------------------------|
| Balance outstanding at March 31, 2022     | 3,477,292                  |
| RSUs and PSUs granted                     | 3,043,050                  |
| RSUs and PSUs released                    | (292,596)                  |
| RSUs and PSUs cancelled and forfeited     | (1,153,768)                |
| Balance outstanding at September 30, 2022 | <u>5,073,978</u>           |

During the three and six months ended September 30, 2022, the Company recorded \$nil in share-based compensation expense related to acquisition milestones (for the three and six months ended September 30, 2021 – \$1,706 and \$3,405, respectively).

During the three and six months ended September 30, 2022, no common shares were released on completion of acquisition milestones (during the three and six months ended September 30, 2021 – 59,258 and 9,948,059, respectively). At September 30, 2022, there were up to 361,985 common shares to be issued on the completion of acquisition and asset purchase milestones. In certain cases, the number of common shares to be issued is based on the volume weighted average share price at the time the milestones are met. The number of common shares has been estimated assuming the milestones were met at September 30, 2022.

### ***BioSteel share-based payments***

On October 1, 2019, the Company purchased 72% of the outstanding shares of BioSteel Sports Nutrition Inc. (“BioSteel”). 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 September 30, 2022, BioSteel had 1,657,682 (March 31, 2022 – 1,565,300) 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 \$285 and \$459 of share-based compensation expense related to the

BioSteel options during the three and six months ended September 30, 2022, respectively, with a corresponding increase in noncontrolling interest (three and six months ended September 30, 2021 – \$259 and \$524, respectively).

## 19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income includes the following components:

|                                      | Foreign currency translation adjustments | Changes of own credit risk of financial liabilities | Accumulated other comprehensive income (loss) |
|--------------------------------------|--|---|---|
| As at March 31, 2022                 | \$ (57,468)                              | \$ 15,186   | \$ (42,282)                                   |
| Settlement of unsecured senior notes | -  | (29,507)  | (29,507)                                      |
| Other comprehensive income           | 9,773                                    | 28,309  | 38,082  |
| As at September 30, 2022             | <u>\$ (47,695)</u>                       | <u>\$ 13,988</u>                                    | <u>\$ (33,707)</u>                            |
|                                      | Foreign currency translation adjustments | Changes of own credit risk of financial liabilities | Accumulated other comprehensive income (loss) |
| As at March 31, 2021                 | \$ (28,246)                              | \$ (5,994)  | \$ (34,240)                                   |
| Other comprehensive (loss) income    | (3,288)                                  | 10,080  | 6,792   |
| As at September 30, 2021             | <u>\$ (31,534)</u>                       | <u>\$ 4,086</u>                                     | <u>\$ (27,448)</u>                            |

## 20. NONCONTROLLING INTERESTS

The net change in the noncontrolling interests is as follows:

|  | Vert Mirabel | BioSteel        | Other       | Total           |
|--|--------------|-----------------|-------------|-----------------|
| As at March 31, 2022   | \$ -         | \$ 2,497        | \$ 1,844    | \$ 4,341        |
| Comprehensive income (loss)  | 1,050        | (13,719)        | (1,844)     | (14,513)        |
| Net (income) loss attributable to redeemable noncontrolling interest | (1,050)      | 13,719          | -           | 12,669          |
| Share-based compensation   | -            | 459             | -           | 459             |
| As at September 30, 2022   | <u>\$ -</u>  | <u>\$ 2,956</u> | <u>\$ -</u> | <u>\$ 2,956</u> |

|  | Vert Mirabel | BioSteel        | Other non-material interests | Total           |
|--|--------------|-----------------|------------------------------|-----------------|
| As at March 31, 2021   | \$ -         | \$ 1,658        | \$ 3,051                     | \$ 4,709        |
| Comprehensive income (loss)  | 587          | (8,323)         | -                            | (7,736)         |
| Net (income) loss attributable to redeemable noncontrolling interest | (587)        | 8,323           | -                            | 7,736           |
| Share-based compensation   | -            | 524             | -                            | 524             |
| As at September 30, 2021   | <u>\$ -</u>  | <u>\$ 2,182</u> | <u>\$ 3,051</u>              | <u>\$ 5,233</u> |

## 21. 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. The Company determines 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 in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |            |
| <b>September 30, 2022</b>                  |   |   |   |            |
| Assets:                                    |   |   |   |            |
| Short-term investments                     | \$ 396,702                                | \$ -  | \$ -                                      | \$ 396,702 |
| Restricted short-term investments          | 12,352                                    | -   | -   | 12,352     |
| Other financial assets                     | 312                                       | -   | 612,746                                   | 613,058    |
| Liabilities:                               |   |   |   |            |
| Unsecured senior notes                     | -   | 321,128                                       | -   | 321,128    |
| Warrant derivative liability               | -   | -   | 691                                       | 691        |
| Other liabilities                          | -   | -   | 45,926                                    | 45,926     |
| <b>March 31, 2022</b>                      |   |   |   |            |
| 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:                               |   |   |   |            |
| Unsecured 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     |

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                                      |
|---------------------------------------|---------------------------|---|
| Unsecured senior notes                | Senior 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:

| <b>Financial asset / financial liability</b>                                       | <b>Valuation techniques</b>                | <b>Significant unobservable inputs</b>    | <b>Relationship of unobservable inputs to fair value</b>  |
|--|--|---|---|
| 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 equity                 | Increase or decrease in volatility will result in an increase or decrease in fair value                           |
| Jetty financial instrument - Call Option   | Discounted cash flow                       | Expected future Jetty cash flows          | Increase or decrease in expected future Jetty 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                         |
| Jetty 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 Jetty equity and revenue    | 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 |

## 22. REVENUE

Revenue is disaggregated as follows:

|   | Three months ended |                    | Six months ended   |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| <b>Canada cannabis</b>                    |                    |                    |                    |                    |
| Canadian recreational cannabis            |                    |                    |                    |                    |
| Business-to-business <sup>1</sup>         | \$ 25,317          | \$ 41,927          | \$ 51,857          | \$ 84,620          |
| Business-to-consumer                      | 12,772             | 16,652             | 25,207             | 33,996             |
|   | 38,089             | 58,579             | 77,064             | 118,616            |
| Canadian medical cannabis <sup>2</sup>    | 14,215             | 13,093             | 27,655             | 26,585             |
|   | \$ 52,304          | \$ 71,672          | \$ 104,719         | \$ 145,201         |
| <b>Rest-of-world cannabis</b>             |                    |                    |                    |                    |
| C <sup>3</sup>                            | -                  | 11,887             | -                  | 23,330             |
| Other rest-of-world cannabis <sup>3</sup> | 10,552             | 11,766             | 24,333             | 19,733             |
|   | \$ 10,552          | \$ 23,653          | \$ 24,333          | \$ 43,063          |
| Storz & Bickel                            | \$ 13,494          | \$ 14,511          | \$ 29,137          | \$ 38,581          |
| BioSteel <sup>4</sup>                     | \$ 29,922          | \$ 7,512           | \$ 47,810          | \$ 14,173          |
| This Works                                | \$ 6,868           | \$ 9,027           | \$ 12,388          | \$ 15,578          |
| Other                                     | 4,723              | 4,999              | 9,591              | 10,987             |
| <b>Net revenue</b>                        | <b>\$ 117,863</b>  | <b>\$ 131,374</b>  | <b>\$ 227,978</b>  | <b>\$ 267,583</b>  |

<sup>1</sup>Canadian recreational business-to-business net revenue during the three and six months ended September 30, 2022 reflects excise taxes of \$11,366 and \$22,957, respectively (three and six months ended September 30, 2021 – \$12,913 and \$30,747, respectively).

<sup>2</sup>Canadian medical cannabis net revenue for the three and six months ended September 30, 2022 reflects excise taxes of \$1,130 and \$2,286, respectively (three and six months ended September 30, 2021 – \$1,361 and \$2,741, respectively).

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 \$3,578 and \$6,476 for the three and six months ended September 30, 2022, respectively (three and six months ended September 30, 2021 – \$3,335 and \$8,649, respectively). As of September 30, 2022, the liability for estimated returns and price adjustments was \$2,371 (March 31, 2022 – \$3,437).

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

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

|  | Three months ended    |                       | Six months ended      |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2022 | September 30,<br>2021 | September 30,<br>2022 | September 30,<br>2021 |
| Fair value changes on other financial assets                                 | \$ (86)               | \$ (279,432)          | \$ (300,940)          | \$ (195,280)          |
| Fair value changes on liability arising from Acreage Arrangement             | -                     | 288,000               | 47,000                | 438,000               |
| Fair value changes on unsecured senior notes                                 | (13,789)              | 30,024                | (23,401)              | 80,736                |
| Fair value changes on warrant derivative liability                           | 864                   | 194,545               | 26,229                | 510,802               |
| Fair value changes on acquisition related contingent consideration and other | (16,285)              | 31                    | 24,140                | (168)                 |
| Charges related to settlement of unsecured senior notes                      | 14,480                | -                     | (4,688)               | -                     |
| Interest income  | 4,924                 | 2,755                 | 8,874                 | 5,402                 |
| Interest expense   | (30,471)              | (26,646)              | (57,372)              | (51,210)              |
| Foreign currency gain (loss)   | (6,859)               | 882                   | (11,794)              | 1,912                 |
| Gain (loss) on disposal/acquisition of consolidated entity                   | 1,702                 | 686                   | 2,081                 | (1,653)               |
| Other income (expense), net  | (2,324)               | (15,024)              | (3,551)               | (12,054)              |
|  | <u>\$ (47,844)</u>    | <u>\$ 195,821</u>     | <u>\$ (293,422)</u>   | <u>\$ 776,487</u>     |

### 24. INCOME TAXES

There have been no material changes to income tax matters in connection with normal course operations during the six months ended September 30, 2022.

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

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

## 25. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are calculated using the following numerators and denominators:

|   | Three months ended    |                       | Six months ended      |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2022 | September 30,<br>2021 | September 30,<br>2022 | September 30,<br>2021 |
| <b>Basic (loss) earnings per share computation</b>  |                       |                       |                       |                       |
| Net (loss) income attributable to common shareholders of Canopy Growth  | \$ (221,806)          | \$ (11,058)           | \$ (2,304,954)        | \$ 381,360            |
| Weighted average number of common shares outstanding  | 471,592,150           | 393,274,758           | 435,229,653           | 388,696,975           |
| <b>Basic (loss) earnings per share</b>  | <u>\$ (0.47)</u>      | <u>\$ (0.03)</u>      | <u>\$ (5.30)</u>      | <u>\$ 0.98</u>        |
| <b>Diluted (loss) earnings per share computation</b>  |                       |                       |                       |                       |
| Net (loss) income used in the computation of basic (loss) earnings per share                                    | \$ (221,806)          | \$ (11,058)           | \$ (2,304,954)        | \$ 381,360            |
| Numerator adjustments for diluted (loss) earnings per share:  |                       |                       |                       |                       |
| Adjustment to net loss attributable to noncontrolling interests and redeemable noncontrolling interest          | -                     | -                     | -                     | (8,323)               |
| Removal of fair value changes on unsecured senior notes   | -                     | -                     | -                     | (80,736)              |
| Adjustment to interest expense on Supreme Cannabis convertible debentures                                       | -                     | -                     | -                     | 667                   |
| Net (loss) income used in the computation of diluted (loss) earnings per share                                  | \$ (221,806)          | \$ (11,058)           | \$ (2,304,954)        | \$ 292,968            |
| Weighted average number of common shares outstanding used in the computation of basic (loss) earnings per share | 471,592,150           | 393,274,758           | 435,229,653           | 388,696,975           |
| Denominator adjustments for diluted (loss) earnings per share:  |                       |                       |                       |                       |
| Dilutive impact of assumed exercise or conversion of:   |                       |                       |                       |                       |
| Unsecured senior notes  | -                     | -                     | -                     | 12,454,620            |
| Redeemable noncontrolling interest  | -                     | -                     | -                     | 3,501,512             |
| Stock options   | -                     | -                     | -                     | 923,961               |
| Other securities  | -                     | -                     | -                     | 3,581,847             |
| Weighted average number of common shares for computation of diluted (loss) earnings per share                   | 471,592,150           | 393,274,758           | 435,229,653           | 409,158,915           |
| <b>Diluted (loss) earnings per share<sup>1</sup></b>  | <u>\$ (0.47)</u>      | <u>\$ (0.03)</u>      | <u>\$ (5.30)</u>      | <u>\$ 0.72</u>        |

<sup>1</sup> In computing diluted earnings per share, incremental common shares are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive.

## 26. ACREAGE ARRANGEMENT AND AMENDMENTS TO CBI INVESTOR RIGHTS AGREEMENT AND WARRANTS

### Acreege Arrangement

On September 23, 2020, the Company and 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

Acreage 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 Acreage Amended Arrangement if, among other things, Acreage 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 (the “Acreage Floating Option”) 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 Acreage Amended Arrangement if Acreage 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 Acreage Amended Arrangement, Canopy Growth made a cash payment to the shareholders of Acreage and holders of certain convertible securities in the aggregate amount of US\$37,500 (\$49,849); and
- Acreage is only permitted to issue an aggregate of up to 32,700,000 Fixed Shares and Floating Shares.

See Note 28 for information regarding the Reorganization. In connection with the Reorganization, Canopy Growth irrevocably waived the Acreage Floating Option and subject to, among other things, the terms of the Floating Share Arrangement Agreement (as defined below), Canopy USA will acquire all of the issued and outstanding Floating Shares. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds the U.S. cannabis investments previously held by the Company, which is expected to enable Canopy USA, following, among other things, the Meeting, to exercise its rights to acquire Acreage, Wana and Jetty.

At September 30, 2022, the right and the obligation (the “Acreage financial instrument”) to acquire the Fixed Shares represents a financial asset of \$72,000 (March 31, 2022 – \$47,000 liability), as the estimated fair value of the Acreage business is more than the estimated fair value of the consideration to be provided upon the exercise of the Acreage financial instrument. Fair value changes on the Acreage financial instrument are recognized in other income (expense), net; see Note 23. The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 21 for additional details on how the fair value of the Acreage financial instrument is calculated on a recurring basis. From a measurement perspective, the Company has elected the fair value option under ASC 825.

In connection with the Acreage 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 Acreage (“Acreage Hempco”) pursuant to a secured debenture (“Hempco Debenture”). In accordance with the terms of the Hempco Debenture, the funds advanced to Acreage 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 Acreage Hempco. The Hempco Debenture is not convertible and is not guaranteed by Acreage. In connection with the Reorganization, as described in Note 28, on October 24, 2022, the Company transferred the Hempco Debenture to Canopy USA.

The amount advanced on September 23, 2020 pursuant to the Hempco Debenture has been recorded in other financial assets (see Note 9), and the Company has elected the fair value option under ASC 825 (see Note 21). At September 30, 2022, the estimated fair value of the Hempco Debenture issued to an affiliate of the Company by Acreage Hempco was \$25,722 (March 31, 2022 – \$28,824), measured using a discounted cash flow model (see Note 21). Refer to Note 9 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 Acreage 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 (the “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 September 30, 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 September 30, 2022, the fair value of the warrant derivative liability was \$691 (March 31, 2022 – \$26,920), and fair value changes are recognized in other income (expense), net; see Note 23. See Note 21 for additional details on how the fair value of the warrant derivative liability is calculated on a recurring basis.

The Tranche C Warrants are accounted for as derivative instruments, with the fair value continuing to be \$nil at September 30, 2022.

As described in Note 28, in connection with the Reorganization, the Company entered into the Consent Agreement (as defined below), pursuant to which CBG Holdings LLC (“CBG”), an indirect, wholly-owned subsidiary of CBI, and Greenstar agreed, among other things, that in the event that CBG and Greenstar convert their ownership in the Company's common shares into Exchangeable Shares (as defined below), CBG will surrender the warrants held by CBG to purchase 139,745,453 common shares of the Company for cancellation for no consideration.

## 27. SEGMENT INFORMATION

### Reportable segments

Prior to the three months ended September 30, 2022, the Company had the following two reportable segments: (i) global cannabis; and (ii) other consumer products. Following the completion of certain restructuring actions which were initiated in the three months ended March 31, 2022, and which were aligned with the Company's strategic review of its business, the Company has changed the structure of its internal management financial reporting. Accordingly, in the three months ended September 30, 2022, the Company is reporting its financial results for the following five reportable segments:

- **Canada cannabis** - includes the production, distribution and sale of a diverse range of cannabis, hemp and cannabis products in Canada pursuant to the *Cannabis Act*;
- **Rest-of-world cannabis** - includes the production, distribution and sale of a diverse range of cannabis, hemp and cannabis products internationally pursuant to applicable international legislation, regulations and permits;
- **Storz & Bickel** - includes the production, distribution and sale of vaporizers;
- **BioSteel** - includes the production, distribution and sale of consumer packaged goods (“CPG”) including sports nutrition beverages, mixes, protein, gum and mints, some of which have been blended with hemp-derived CBD isolate; and
- **This Works** - includes the production, distribution and sale of beauty, skincare, wellness and sleep products, some of which have been blended with hemp-derived CBD isolate.

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 CODM evaluates the performance of these segments, with a focus on (i) segment net revenue, and (ii) segment gross margin as the measure of segment profit or loss. Accordingly, information regarding segment net revenue and segment gross margin for the comparative periods has been restated to reflect the aforementioned change in reportable segments. The remainder of the Company's operations include revenue derived from, and cost of sales associated with, the Company's non-cannabis extraction activities and other ancillary activities; these are included within “other”.

|  | Three months ended  |                    | Six months ended      |                    |
|--|---------------------|--------------------|-----------------------|--------------------|
|  | September 30, 2022  | September 30, 2021 | September 30, 2022    | September 30, 2021 |
| Segmented net revenue                        |                     |                    |                       |                    |
| Canada cannabis                              | \$ 52,304           | \$ 71,672          | \$ 104,719            | \$ 145,201         |
| Rest-of-world cannabis                       | 10,552              | 23,653             | 24,333                | 43,063             |
| Storz & Bickel                               | 13,494              | 14,511             | 29,137                | 38,581             |
| BioSteel                                     | 29,922              | 7,512              | 47,810                | 14,173             |
| This Works                                   | 6,868               | 9,027              | 12,388                | 15,578             |
| Other  | 4,723               | 4,999              | 9,591                 | 10,987             |
|  | <u>\$ 117,863</u>   | <u>\$ 131,374</u>  | <u>\$ 227,978</u>     | <u>\$ 267,583</u>  |
| Segmented gross margin:                      |                     |                    |                       |                    |
| Canada cannabis                              | \$ (7,652)          | \$ (91,980)        | \$ (20,185)           | \$ (84,804)        |
| Rest-of-world cannabis                       | (1,332)             | 10,978             | (1,492)               | 19,585             |
| Storz & Bickel                               | 6,002               | 5,351              | 11,623                | 16,451             |
| BioSteel                                     | 4,432               | (404)              | 6,865                 | (3,713)            |
| This Works                                   | 2,303               | 3,558              | 4,950                 | 6,954              |
| Other  | 68                  | 1,357              | 668                   | 1,625              |
|  | <u>3,821</u>        | <u>(71,140)</u>    | <u>2,429</u>          | <u>(43,902)</u>    |
| Selling, general and administrative expenses | 125,842             | 125,756            | 229,255               | 238,330            |
| Share-based compensation                     | 9,858               | 15,953             | 15,297                | 29,079             |
| Asset impairment and restructuring costs     | 43,968              | 2,510              | 1,771,953             | 91,759             |
| Operating loss                               | (175,847)           | (215,359)          | (2,014,076)           | (403,070)          |
| Loss from equity method investments          | -                   | -                  | -                     | (100)              |
| Other income (expense), net                  | (47,844)            | 195,821            | (293,422)             | 776,487            |
| (Loss) income before incomes taxes           | <u>\$ (223,691)</u> | <u>\$ (19,538)</u> | <u>\$ (2,307,498)</u> | <u>\$ 373,317</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:

|               | Three months ended |                    | Six months ended   |                    |
|---------------|--------------------|--------------------|--------------------|--------------------|
|               | September 30, 2022 | September 30, 2021 | September 30, 2022 | September 30, 2021 |
| Canada        | \$ 86,012          | \$ 80,184          | \$ 160,461         | \$ 162,796         |
| Germany       | 11,247             | 22,370             | 23,611             | 48,476             |
| United States | 8,783              | 18,225             | 20,396             | 38,092             |
| Other         | 11,821             | 10,595             | 23,510             | 18,219             |
|               | <u>\$ 117,863</u>  | <u>\$ 131,374</u>  | <u>\$ 227,978</u>  | <u>\$ 267,583</u>  |

Disaggregation of property, plant and equipment by geographic area:

|        | September 30, 2022 | March 31, 2022    |
|--------|--------------------|-------------------|
| Canada | \$ 747,355         | \$ 827,591        |
| Other  | 117,168            | 115,189           |
|        | <u>\$ 864,523</u>  | <u>\$ 942,780</u> |

For the three months ended September 30, 2022, no customer represented more than 10% of the Company's net revenue (three months ended September 30, 2021 – none).

For the six months ended September 30, 2022, no customer represented more than 10% of the Company's net revenue (six months ended September 30, 2021 – one)

## 28. SUBSEQUENT EVENTS

### Reorganization - Creation of Canopy USA

On October 25, 2022, Canopy Growth completed the Reorganization, which included the creation of a new U.S.-domiciled holding company, Canopy USA. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds the U.S. cannabis investments previously held by Canopy Growth, which is expected to enable Canopy USA, following, among other things, the Meeting, to exercise its rights to acquire Acreage, Wana, and Jetty.

Canopy USA has an ownership interest in the following assets, among others:

- **Acreage** - The issued and outstanding Fixed Shares to be acquired upon the exercise of the option to acquire approximately 70% of the total shares of Acreage at a fixed share exchange ratio of 0.3048 of a common share of Canopy Growth. In addition, Canopy USA will acquire all of the issued and outstanding Floating Shares subject to, among other things, the terms and conditions of the Floating Share Arrangement Agreement. Acreage is a leading vertically-integrated multi-state cannabis operator, with its main operations in densely populated states across the Northeast U.S. including New Jersey and New York.
- **Wana** - The option to acquire 100% of the membership interests of Wana, a leading cannabis edibles brand in North America.
- **Jetty** - The option to acquire 100% of the shares of Jetty, a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology.

In addition, as of October 24, 2022, Canopy USA controls a conditional ownership position, assuming conversion of its exchangeable shares and the exercise of its option but excluding the exercise of its warrants, of approximately 13.7% in TerrAscend Corp. ("TerrAscend"), a leading North American cannabis operator with vertically integrated operations and a presence in Pennsylvania, New Jersey, Michigan and California as well as licensed cultivation and processing operations in Maryland. Canopy USA's direct and indirect interests in TerrAscend includes control over all exchangeable shares, options and warrants previously held by Canopy Growth in TerrAscend as well as the debentures and loan agreement between Canopy Growth and certain TerrAscend subsidiaries.

### Ownership of U.S. Cannabis Investments

Following the implementation of the Reorganization, the shares and interests in Acreage, Wana, Jetty, and TerrAscend are held, directly or indirectly, by Canopy USA, and Canopy Growth no longer holds a direct interest in any shares or interests in such entities. Canopy Growth holds non-voting and non-participating shares (the "Non-Voting Shares") in the capital of Canopy USA. The Non-Voting Shares do not carry voting rights, rights to receive dividends or other rights upon dissolution of Canopy USA, but are convertible into common shares of Canopy USA (the "Canopy USA Common Shares"). To facilitate the creation of the Non-Voting Shares, Canopy USA has raised funds from a third-party investor and has agreed to issue additional Canopy USA Common Shares to the shareholders of Wana as additional consideration in exchange for the option to acquire Wana and reduce the future payments owed in connection with the exercise of each of the options to acquire Wana to US\$1.00, resulting in an aggregate exercise price of US\$3.00 (the "Wana Amendments"). The value of the Canopy USA Common Shares to be issued to the shareholders of Wana will be equal to 7.5% of the fair market value of Wana as of no earlier than January 1, 2023 (the "Wana Value Payment"). In connection with the Wana Amendments, Canopy Growth has also agreed to issue common shares of the Company to the shareholders of Wana with a value equal to the Wana Value Payment as of no earlier than January 1, 2023, subject to certain limitations. Canopy Growth has also agreed to register the resale of the common shares issued in connection with the Wana Amendments. Canopy Growth has the right to convert its Non-Voting Shares into Canopy USA Common Shares and Canopy USA retains a call right to repurchase all Canopy USA Common Shares that have been issued to third parties, subject to certain time limitations.

Canopy Growth and Canopy USA have also entered into a protection agreement (the "Protection Agreement") to provide for certain covenants in order to preserve the value of the Non-Voting Shares held by Canopy Growth until such time as Canopy Growth controls Canopy USA. Canopy Growth also has two designees on the four-person board of managers of Canopy USA.

Upon closing of Canopy USA's acquisition of Acreage, Canopy Growth will receive additional Non-Voting Shares from Canopy USA in consideration for the issuance of common shares of the Company that shareholders of Acreage will receive in accordance with the terms of the Existing Acreage Arrangement Agreement (as defined below) and the Floating Share Arrangement Agreement.

In addition, subject to the terms and conditions of the Protection Agreement and the terms of the option agreements to acquire Wana and Jetty, as applicable, Canopy Growth may be required to issue additional common shares in satisfaction of certain deferred and/or option exercise payments to the shareholders of Wana and Jetty. Canopy Growth will receive additional Non-Voting Shares from Canopy USA as consideration for any Company common shares issued in the future to the shareholders of Wana and Jetty.

Until such time as Canopy Growth converts the Non-Voting Shares into Canopy USA Common Shares, Canopy Growth will have no economic or voting interest in Canopy USA, Wana, Jetty, TerrAscend, or Acreage. Canopy USA, Wana, Jetty, TerrAscend, and Acreage will continue to operate independently of Canopy Growth.

#### Acreage Agreements

On October 24, 2022, Canopy Growth entered into an arrangement agreement with Canopy USA and Acreage (the "Floating Share Arrangement Agreement"), pursuant to which, subject to approval of the holders of the Floating Shares and the terms and conditions of the Floating Share Arrangement Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of a court-approved plan of arrangement (the "Floating Share Arrangement") on the basis of 0.45 of a Company common share in exchange for each Floating Share held. In connection with the Floating Share Arrangement Agreement, the Company has irrevocably waived the Acreage Floating Option existing under the Acreage Arrangement Agreement.

It is expected that the Floating Share Arrangement will be effected by way of a court-approved plan of arrangement under the *Business Corporations Act* (British Columbia). The Floating Share Arrangement requires the approval of: (i) at least two-thirds of the votes cast by the holders of the Floating Shares; and (ii) at least a majority of the votes cast by the holders of the Floating Shares, excluding the votes cast by "interested parties" and "related parties" (as such terms are defined in Multilateral Instrument 61-101 - *Protection Of Minority Security Holders In Special Transactions*), at a special meeting of Acreage shareholders expected to be held in January 2023.

On October 24, 2022, Canopy Growth also agreed to issue common shares with a value of US\$50,000 to, among others, certain unitholders (the "Holders") of High Street Capital Partners, LLC, a subsidiary of Acreage ("HSCP"), in order to reduce a potential liability of approximately US\$121,000 pursuant to HSCP's amended tax receivable agreement and the related tax receivable bonus plans. In connection with the foregoing, 5,648,927 common shares with a value of approximately US\$15,000 were issued to certain Holders on November 4, 2022 as the first installment under this agreement with a second payment of approximately US\$15,000 in common shares to occur on the earlier of (a) the second business day following the date on which the shareholders of Acreage approve the Floating Share Arrangement; or (b) April 24, 2023. The final payment with a value of approximately US\$20,000 will be issued immediately prior to completion of the Floating Share Arrangement. Canopy Growth has also agreed to register the resale of such common shares under the Securities Act of 1933, as amended. In addition, on October 24, 2022, a wholly-owned subsidiary of Canopy Growth ("Acreage Debt Optionholder") agreed, subject to certain conditions precedent, to acquire an option to purchase the outstanding principal, including all accrued and unpaid interest thereon of Acreage's debt, being an amount up to US\$150,000 (the "Acreage Debt") from Acreage's existing lenders (the "Lenders") in exchange for an option premium payment of US\$28,500 (the "Option Premium"). The Acreage Debt Optionholder will have the right to exercise its option at its discretion, and the Option Premium will be used towards settlement of the Acreage Debt. In the event that Acreage repays the Acreage Debt on or prior to maturity, the Option Premium will be returned to the Acreage Debt Optionholder. In the event that Acreage defaults on the Acreage Debt and the Acreage Debt Optionholder does not exercise its option to acquire the Acreage Debt, the Option Premium will be released to the Lenders.

On October 24, 2022, Canopy Growth and Canopy USA entered into voting support agreements with certain of Acreage's directors, officers, and consultants pursuant to which such persons have agreed, among other things, to vote their Floating Shares in favor of the Floating Share Arrangement, representing approximately 7.3% of the issued and outstanding Floating Shares.

In addition to shareholder and court approvals, the Floating Share Arrangement is subject to approval of the Amendment Proposal (as defined below) and applicable regulatory approvals including, but not limited to, Toronto Stock Exchange ("TSX") approval and the satisfaction of certain other closing conditions customary in transactions of this nature. Assuming timely receipt of all necessary court, shareholder, regulatory and other third-party approvals and the satisfaction of all other conditions, closing of the acquisition of Acreage is expected to occur in late 2023.

It is intended that Canopy Growth's existing option to acquire the Fixed Shares on the basis of 0.3048 of a Company common share per Fixed Share will be exercised after the Meeting in accordance with the terms of the arrangement agreement dated April 18, 2019, as amended on May 15, 2019, September 23, 2020 and November 17, 2020 (the "Existing Acreage Arrangement Agreement"). Canopy Growth will not hold any Fixed Shares or Floating Shares. Completion of the acquisition of the Fixed Shares following exercise of the option is subject to the satisfaction of certain conditions set forth in the Existing Acreage Arrangement Agreement. The acquisition of the Floating Shares pursuant to the Floating Share Arrangement is anticipated to occur concurrently with the acquisition of the Fixed Shares pursuant to the Existing Acreage Arrangement Agreement in late 2023 such that 100% of the issued and outstanding shares of Acreage will be owned by Canopy USA on closing of the acquisition of both the Fixed Shares and the Floating Shares.



## Special Shareholder Meeting

In connection with the Reorganization, Canopy Growth expects to hold a special meeting of shareholders (the "Meeting") at which Canopy Growth shareholders will be asked to consider and, if deemed appropriate, to pass a special resolution authorizing an amendment to its articles of incorporation, as amended (the "Amendment Proposal"), in order to: (i) create and authorize the issuance of an unlimited number of a new class of non-voting and non-participating exchangeable shares in the capital of Canopy Growth (the "Exchangeable Shares"); and (ii) restate the rights of the Company's common shares to provide for a conversion feature whereby each common share may at any time, at the option of the holder, be converted into one Exchangeable Share. The Exchangeable Shares will not carry voting rights, rights to receive dividends or other rights upon dissolution of Canopy Growth but will be convertible into common shares.

The Amendment Proposal must be approved by at least 66 $\frac{2}{3}$ % of the votes cast on a special resolution by Canopy Growth's shareholders present in person or represented by proxy at the Meeting. On October 24, 2022, Greenstar and CBG, indirect, wholly-owned subsidiaries of CBI, entered into a voting support agreement with Canopy Growth pursuant to which they have agreed, subject to the terms and conditions thereof, among other things, to vote all of the common shares beneficially owned, directed or controlled, directly or indirectly, by them for the Amendment Proposal.

In the event that the Amendment Proposal is approved and subject to the conversion by CBI of their common shares of the Company into Exchangeable Shares, Canopy USA is expected to exercise the options to acquire Wana and Jetty. If the Amendment Proposal is not approved, Canopy USA will not be permitted to exercise the rights to acquire the Fixed Shares, Wana or Jetty and the Floating Share Arrangement Agreement will be terminated. In such circumstances, Canopy Growth will retain its option to acquire the Fixed Shares under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold an option to acquire Wana and Jetty as well as exchangeable shares in the capital of TerrAscend.

## Balance Sheet Actions

On October 24, 2022, Canopy Growth entered into agreements with certain of its lenders under the Credit Agreement pursuant to which Canopy Growth will tender US\$187,500 of the principal amount outstanding thereunder at a discounted price of US\$930 per US\$1,000 or US\$174,375 in the aggregate (the "Paydown"). The Paydown will be made in two equal payments: the first payment by no later than November 10, 2022, and the second payment by no later than April 17, 2023.

Canopy Growth also agreed with its lenders to amend certain terms of the Credit Agreement (collectively, the "Amendments"). The Amendments include, among other things, reductions to the minimum Liquidity (as defined in the Credit Agreement) covenant to US\$100,000, which is to be reduced as payments are made in accordance with the Paydown, certain changes to the application of net proceeds from asset sales and the establishment of a new committed delayed draw term credit facility in an aggregate principal amount of US\$100,000. In addition, the Amendments include the elimination of the additional US\$500,000 incremental term loan facility.

## Relationship with CBI

In connection with the Reorganization and assuming approval and adoption of the Amendment Proposal, CBI has expressed its current intention to convert all of its common shares of the Company into Exchangeable Shares. However, any decision to convert will be made by CBI in its sole discretion, and CBI is not obligated to effect any such conversion.

In connection with the foregoing, on October 24, 2022, Canopy Growth entered into a consent agreement (the "Consent Agreement") among Canopy Growth, CBG and Greenstar, pursuant to which the parties agreed, among other things, that following the conversion by CBG and Greenstar of their respective common shares into Exchangeable Shares, other than the Notes held by CBI, all agreements between Canopy Growth and CBI, including the Second Amended and Restated Investor Rights Agreement, will be terminated. Pursuant to the terms of the Consent Agreement, CBG and Greenstar also agreed, among other things, that at the time of the conversion by CBG and Greenstar of their common shares into Exchangeable Shares, (i) CBG will surrender the warrants held by CBG to purchase 139,745,453 common shares for cancellation for no consideration and (ii) all nominees of CBI that are currently sitting on the Board will resign from the Board. In addition, pursuant to the Consent Agreement, Canopy Growth is contractually required to convert its Non-Voting Shares into Canopy USA Common Shares and cause Canopy USA to repurchase the Canopy USA Common Shares held by certain third-party investors in Canopy USA in the event CBG and Greenstar have not converted their respective common shares into Exchangeable Shares by the later of (i) sixty days after the Meeting or (ii) February 28, 2023 (the "Termination Date"). The Consent Agreement will automatically terminate on the Termination Date.

In the event that CBI does not convert its common shares into Exchangeable Shares, Canopy USA will not be permitted to exercise the rights to acquire the Fixed Shares, Wana or Jetty and the Floating Share Arrangement Agreement will be terminated. In

such circumstances, Canopy Growth will retain its option to acquire the Fixed Shares under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold an option to acquire Wana and Jetty as well as exchangeable shares and other securities in the capital of TerrAscend. In addition, Canopy USA will exercise its repurchase rights to acquire the Canopy USA Common Shares held by the third party investors.

### **Purchase of Manufacturing Facility**

On November 8, 2022, the Company completed the purchase of a manufacturing facility from one of BioSteel's contract manufacturers.