CANOPY GROWTH CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022
(IN CANADIAN DOLLARS)

Table of Contents

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)

	December 31, 2022	March 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 598,131	$ 776,005
Short-term investments	191,119	595,651
Restricted short-term investments	12,932	12,216
Amounts receivable, net	104,640	96,443
Inventory	213,937	204,387
Prepaid expenses and other assets	52,151	52,700
Total current assets	1,172,910	1,737,402
Other financial assets	598,387	800,328
Property, plant and equipment	874,029	942,780
Intangible assets	213,530	252,695
Goodwill	142,076	1,866,503
Other assets	19,223	15,342
Total assets	$ 3,020,155	$ 5,615,050
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 63,139	$ 64,270
Other accrued expenses and liabilities	75,985	75,278
Current portion of long-term debt	455,483	9,296
Other liabilities	84,134	64,054
Total current liabilities	678,741	212,898
Long-term debt	750,118	1,491,695
Deferred income tax liabilities	8,988	15,991
Liability arising from Acreage Arrangement	-	47,000
Warrant derivative liability	668	26,920
Other liabilities	141,891	190,049
Total liabilities	1,580,406	1,984,553
Commitments and contingencies		
Redeemable noncontrolling interest	11,408	36,200
Canopy Growth Corporation shareholders' equity:		
Common shares - $nil par value; Authorized - unlimited number of shares; Issued - 494,891,390 shares and 394,422,604 shares, respectively	7,867,310	7,482,809
Additional paid-in capital	2,510,086	2,519,766
Accumulated other comprehensive loss	(14,248)	(42,282)
Deficit	(8,937,603)	(6,370,337)
Total Canopy Growth Corporation shareholders' equity	1,425,545	3,589,956
Noncontrolling interests	2,796	4,341
Total shareholders' equity	1,428,341	3,594,297
Total liabilities and shareholders' equity	$ 3,020,155	$ 5,615,050

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)

	Three months ended December 31, 2022	Three months ended December 31, 2021	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Revenue	$ 113,349	$ 155,024	$ 366,570	$ 456,095
Excise taxes	12,136	14,052	37,379	47,540
Net revenue	101,213	140,972	329,191	408,555
Cost of goods sold	103,654	130,882	329,203	442,367
Gross margin	(2,441)	10,090	(12)	(33,812)
Operating expenses				
Selling, general and administrative expenses	122,636	116,835	351,891	355,165
Share-based compensation	6,428	6,777	21,725	35,856
Asset impairment and restructuring costs	22,259	36,439	1,794,212	128,198
Total operating expenses	151,323	160,051	2,167,828	519,219
Operating loss	(153,764)	(149,961)	(2,167,840)	(553,031)
Loss from equity method investments	-	-	-	(100)
Other income (expense), net	(113,340)	34,282	(406,762)	810,769
(Loss) income before income taxes	(267,104)	(115,679)	(2,574,602)	257,638
Income tax recovery (expense)	382	183	(11,587)	490
Net (loss) income	(266,722)	(115,496)	(2,586,189)	258,128
Net loss attributable to noncontrolling interests and redeemable noncontrolling interest	(5,139)	(6,571)	(19,652)	(14,307)
Net (loss) income attributable to Canopy Growth Corporation	$ (261,583)	$ (108,925)	$ (2,566,537)	$ 272,435
Basic (loss) earnings per share	$ (0.54)	$ (0.28)	$ (5.66)	$ 0.70
Basic weighted average common shares outstanding	486,112,598	393,818,282	453,237,882	390,423,083
Diluted (loss) earnings per share	$ (0.54)	$ (0.28)	$ (5.66)	$ 0.43
Diluted weighted average common shares outstanding	486,112,598	393,818,282	453,237,882	410,986,802
Comprehensive (loss) income:				
Net (loss) income	$ (266,722)	$ (115,496)	$ (2,586,189)	$ 258,128
Other comprehensive income (loss), net of income tax effect				
Fair value changes of own credit risk of financial liabilities	4,538	16,200	32,847	26,280
Foreign currency translation	14,921	(15,479)	24,694	(18,767)
Total other comprehensive income, net of income tax effect	19,459	721	57,541	7,513
Comprehensive (loss) income	(247,263)	(114,775)	(2,528,648)	265,641
Comprehensive loss attributable to noncontrolling interests and redeemable noncontrolling interest	(5,139)	(6,571)	(19,652)	(14,307)
Comprehensive (loss) income attributable to Canopy Growth Corporation	$ (242,124)	$ (108,204)	$ (2,508,996)	$ 279,948

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)

		Additional paid-in capital				Accumulated other comprehensive income (loss)			
	Common shares	Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest		Deficit	Noncontrolling interests	Total
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	82,231	(1,732)	-	-	-	-	-	-	80,499
Exercise of Omnibus Plan stock options	1,506	(1,236)	-	-	-	-	-	-	270
Share-based compensation	-	20,892	-	-	-	-	-	-	20,892
Issuance and vesting of restricted share units and performance share units	8,993	(8,993)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	6,983	-	-	17,808	24,791
Ownership changes relating to noncontrolling interests, net	-	-	-	-	-	-	-	1,851	1,851
Redemption of redeemable noncontrolling interest	26,506	-	-	(2,696)	(27,350)	-	-	(1,552)	(5,092)
Settlement of unsecured senior notes	265,265	-	-	-	-	(29,507)	-	-	235,758
Comprehensive income (loss)	-	-	-	-	-	57,541	(2,566,537)	(19,652)	(2,528,648)
Balance at December 31, 2022	$ 7,867,310	$ 505,424	$ 2,581,788	$ (512,419)	$ (64,707)	$ (14,248)	$ (8,937,603)	$ 2,796	$ 1,428,341

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)

		Additional paid-in capital				Accumulated			
	Common shares	Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest	other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
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	296,574	(30,126)	-	-	-	-	-	-	266,448
Replacement equity instruments from the acquisition of Supreme Cannabis	-	5,566	13,350	-	-	-	-	-	18,916
Exercise of Omnibus Plan stock options	8,690	(3,235)	-	-	-	-	-	-	5,455
Share-based compensation	-	35,172	-	-	-	-	-	-	35,172
Issuance and vesting of restricted share units	5,013	(5,013)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	53,500	-	-	13,100	66,600
Ownership changes relating to noncontrolling interests	-	-	-	-	-	-	-	684	684
Redemption of redeemable noncontrolling interest	-	-	-	2,617	(5,109)	-	-	-	(2,492)
Comprehensive income (loss)	-	-	-	-	-	7,513	272,435	(14,307)	265,641
Balance at December 31, 2021	$ 7,478,834	$ 483,150	$ 2,581,788	$ (509,723)	$ (72,843)	$ (26,727)	$ (5,795,721)	$ 4,186	$ 4,142,944

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)

	Nine months ended December 31, 2022	Nine months ended December 31, 2021
Cash flows from operating activities:		
Net (loss) income	$ (2,586,189)	$ 258,128
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	43,185	56,467
Amortization of intangible assets	20,561	27,462
Share of loss on equity method investments	-	100
Share-based compensation	21,725	35,856
Asset impairment and restructuring costs	1,797,854	113,250
Income tax expense (recovery)	11,587	(490)
Non-cash fair value adjustments and charges related to settlement of unsecured senior notes	325,742	(893,024)
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Amounts receivable	(8,197)	4,083
Inventory	(9,550)	6,702
Prepaid expenses and other assets	(6,866)	28,818
Accounts payable and accrued liabilities	(3,202)	(30,764)
Other, including non-cash foreign currency	(24,459)	(25,713)
Net cash used in operating activities	(417,809)	(419,125)
Cash flows from investing activities:		
Purchases of and deposits on property, plant and equipment	(6,176)	(36,620)
Purchases of intangible assets	(1,265)	(4,564)
Proceeds on sale of property, plant and equipment	10,894	25,660
Redemption of short-term investments	415,322	340,218
Net cash proceeds on sale of subsidiaries	12,432	10,324
Investment in other financial assets	(67,186)	(374,414)
Net cash outflow on acquisition of subsidiaries	(24,223)	(14,947)
Other investing activities	2,327	(16,759)
Net cash provided by (used in) investing activities	342,125	(71,102)
Cash flows from financing activities:		
Proceeds from issuance of common shares and warrants	856	1,460
Proceeds from exercise of stock options	270	5,455
Repayment of long-term debt	(117,951)	(50,217)
Other financing activities	(29,096)	(3,036)
Net cash used in financing activities	(145,921)	(46,338)
Effect of exchange rate changes on cash and cash equivalents	43,731	(2,942)
Net decrease in cash and cash equivalents	(177,874)	(539,507)
Cash and cash equivalents, beginning of period	776,005	1,154,653
Cash and cash equivalents, end of period	$ 598,131	$ 615,146

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)

	Nine months ended December 31,	
	2022	**2021**
Supplemental disclosure of cash flow information		
Cash received during the period:		
Income taxes	$ 4,709	$ 993
Interest	$ 20,140	$ 10,844
Cash paid during the period:		
Income taxes	$ 1,099	$ 2,641
Interest	$ 95,267	$ 83,968
Noncash investing and financing activities		
Additions to property, plant and equipment	$ 425	$ (5,145)

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

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-use 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 adult-use 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 21.

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. CANOPY USA

Reorganization - Creation of Canopy USA

On October 24, 2022, Canopy Growth completed a number of 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 certain U.S. cannabis investments previously held by Canopy Growth, which is expected to enable Canopy USA, following, among other things, the Meeting (as defined below) and the exercise of the Acreage Option (as defined below), including the issuance of the Fixed Shares (as defined below) to Canopy USA, to consummate the acquisitions of Acreage Holdings, Inc. ("Acreage"), Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, "Wana"), and Lemurian, Inc. ("Jetty").

Following the implementation of the Reorganization, as of October 24, 2022, Canopy USA has an ownership interest in the following assets, among others:

- **Wana** - The option to acquire 100% of the membership interests of Wana (the "Wana Option"), a leading cannabis edibles brand in North America.
- **Jetty** - The option to acquire 100% of the shares of Jetty (the "Jetty Option"), a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology.

Canopy Growth currently retains the option to acquire the issued and outstanding Class E subordinate voting shares (the “Fixed Shares”) of Acreage (the "Acreage Option"), representing approximately 70% of the total shares of Acreage, at a fixed share exchange ratio of 0.3048 of a common share of Canopy Growth per Fixed Share. Concurrently with the closing of the acquisition of the Fixed Shares pursuant to the exercise of the Acreage Option, the Fixed Shares will be issued to Canopy USA. In addition, Canopy USA has agreed to acquire all of the issued and outstanding Class D subordinate voting shares of Acreage (the “Floating Shares”) by way of a court-approved plan of arrangement (the “Floating Share Arrangement”) in exchange for 0.45 of a common share of Canopy Growth for each Floating Share held. 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.

In addition, as of October 24, 2022, Canopy USA holds direct and indirect interests in the capital of 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: (i) 38,890,570 exchangeable shares in the capital of TerrAscend (the "TerrAscend Exchangeable Shares"), an option to purchase 1,072,450 TerrAscend common shares (the "TerrAscend Common Shares") for an aggregate purchase price of $1.00 (the "TerrAscend Option") and 22,474,130 TerrAscend Common Share purchase warrants previously held by Canopy Growth (the "TerrAscend Warrants"); and (ii) the debentures and loan agreement between Canopy Growth and certain TerrAscend subsidiaries.

On December 9, 2022, Canopy USA and certain limited partnerships that are controlled by Canopy USA entered into a debt settlement agreement with TerrAscend and certain of its subsidiaries whereby all of the debt obligations, including all principal and interest, were extinguished and all of the previously issued TerrAscend Warrants controlled by Canopy USA were cancelled in exchange for the issuance of 24,601,467 TerrAscend Exchangeable Shares and 22,474,130 new TerrAscend Warrants expiring on December 31, 2032. See Note 10 for further details.

Canopy USA was determined to be a variable interest entity ("VIE") pursuant to Accounting Standards Codification ("ASC") 810 - *Consolidations* and Canopy Growth was determined to be the primary beneficiary of Canopy USA. As a result of such determination and in accordance with ASC 810, Canopy Growth has consolidated the financial results of Canopy USA.

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, other than the Acreage Option. 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 Class A common shares of Canopy USA (the “Canopy USA Common Shares”). The Company also has the right (regardless of the fact that its Non-Voting Shares are non-voting and non-participating) to appoint two members to the Canopy USA board of managers.

On October 24, 2022, Canopy USA issued 1,000,000 Canopy USA Common Shares to VCo Ventures LLC (“VCo Ventures”), a former shareholder of Jetty, in exchange for US$1,000. Agustin Huneeus Jr. is the manager of VCo Ventures. Following the closing of the investment, a wholly-owned subsidiary of the Company holds Non-Voting Shares in the capital of Canopy USA, representing approximately 99.3% of the issued and outstanding shares in Canopy USA on an as-converted basis. Canopy USA retains a call right (the “Repurchase Right”) to repurchase all shares of Canopy USA that have been issued to VCo Ventures at a price per Canopy USA Common Share equal to the greater of fair market value as determined by an appraiser appointed by Canopy USA and US$2,000 in the aggregate; provided that if the repurchase occurs prior to March 31, 2023, the Repurchase Right can be exercised at the initial subscription price. VCo Ventures has also been granted the right to appoint one member to the Canopy USA board of managers and a put right following the conversion of the Non-Voting Shares into Canopy USA Common Shares on the same terms and conditions as the Repurchase Right.

On October 24, 2022, Canopy USA and the Company also entered into an agreement with, among others, Nancy Whiteman, the controlling shareholder of Wana, whereby subsidiaries of Canopy USA agreed to pay additional consideration in order to acquire the Wana Option and the future payments owed in connection with the exercise of the Wana Option will be reduced to US$3.00 in exchange for the issuance of Canopy USA Common Shares and Canopy Growth common shares (the “Wana Amending Agreement”). In accordance with the terms of the Wana Amending Agreement, Canopy USA Common Shares and Canopy Growth common shares will be issued to the shareholders of Wana, each with a value equal to 7.5% of the fair market value of Wana as of January 1, 2023. The value of Wana and the number of Canopy USA Common Shares will be determined based on the fair market value of Wana and the Canopy USA Common Shares, respectively, as determined by an appraiser appointed by the Company and an appraiser appointed by the shareholders of Wana (and, if required, a third appraiser to be appointed by the initial two appraisers). The Canopy USA Common Shares and Canopy Growth common shares will only be issued to Ms. Whiteman, or entities controlled by Ms. Whiteman, after January 1, 2023 and only if CBG Holdings LLC (“CBG”) and Greenstar Canada Investment Limited Partnership (“Greenstar”), indirect, wholly-owned subsidiaries of Constellation Brands, Inc. (“CBI”), have converted their Canopy Growth common shares into Exchangeable Shares (as defined below). The Wana Amending Agreement may be terminated and no Canopy USA Common Shares or Canopy Growth common shares will be issued to Ms. Whiteman, or entities controlled by Ms. Whiteman in the event that CBG and Greenstar have not converted their Canopy Growth common shares into Exchangeable Shares by the later of: (i) sixty days after the Meeting; or (ii) March 31, 2023. The Canopy USA Common Shares issuable to Ms. Whiteman, or entities controlled by Ms. Whiteman, will also be subject to a repurchase right (the “Wana Repurchase Right”) to repurchase all Canopy USA Common Shares that have been issued at a price per Canopy USA Common Share equal to the greater of fair market value as determined by an appraiser and the initial subscription price multiplied by an accrued annual interest rate of 10%. As part of this agreement, Canopy USA has granted Ms. Whiteman the right to appoint one member to the Canopy USA board of managers and a put right on the same terms and conditions as the Wana Repurchase Right.

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 the Non-Voting Shares are converted into Canopy USA Common Shares but does not provide Canopy Growth with the ability to direct the business, operations or activities 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 on arrangement (the "Floating Share Arrangement") in exchange for 0.45 of a Company common share for each Floating Share held. In connection with the Floating Share Arrangement Agreement, the Company has irrevocably waived the Acreage Floating Option (as defined below) existing under the Existing 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.

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 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 immediately prior to 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.

In addition, the Company entered into additional agreements related to Acreage that are described in Note 10.

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 66⅔% 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, CBG and Greenstar entered into a voting and support agreement with Canopy Growth (the "Voting and Support Agreement"). Pursuant to the terms of the Voting and Support Agreement, CBG and Greenstar agreed, subject to the terms and conditions thereof, among other things, to vote all of the Canopy Growth common shares beneficially owned, directed or controlled, directly or indirectly, by them for the Amendment Proposal.

In the event the Amendment Proposal is approved, and subject to the conversion by CBI of their Canopy Growth common shares into Exchangeable Shares, Canopy USA is expected to exercise the Wana Option and the Jetty Option. In the event the Amendment Proposal is not approved, Canopy USA will not be permitted to exercise its rights to acquire shares of Acreage, Wana or Jetty and the Floating Share Arrangement Agreement will be terminated. In such circumstances, Canopy will retain its option to acquire the Fixed Shares under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold the Wana Option and the Jetty Option, as well as the TerrAscend Exchangeable Shares and other securities in the capital of TerrAscend. In addition, the Company is contractually required to cause Canopy USA to exercise its Repurchase Right to acquire the Canopy USA Common Shares held by the third party investors, being the Canopy USA Common Shares held by VCo Ventures.

Balance Sheet Actions

On October 24, 2022, Canopy Growth entered into agreements with certain of its lenders under its term loan credit agreement dated March 18, 2021 (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 first payment of $117,528 (US $87,852) was made on November 10, 2022 to reduce the principal indebtedness by $126,324 (US $94,427). The second payment pursuant to the Paydown is required to be made by no later than April 17, 2023. See Note 15 for further details.

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

Relationship with CBI

In connection with the Reorganization, CBI has indicated its current intention to convert all of its common shares of the Company into Exchangeable Shares, conditional upon the approval of the Amendment Proposal. 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 with CBG and Greenstar (the "Consent Agreement"), pursuant to which the parties agreed, among other things, that following the conversion by CBG and Greenstar of their respective Canopy Growth common shares into Exchangeable Shares, other than the Consent Agreement and the termination rights contained therein and the 4.25% unsecured senior Canopy Growth notes due in 2023 (the "Notes") held by Greenstar, all agreements between Canopy Growth and CBI, including the Second Amended and Restated Investor Rights Agreement, dated as of April 18, 2019, by and among certain wholly-owned subsidiaries of CBI and Canopy Growth (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 Canopy Growth 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 of directors of Canopy Growth (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 Canopy Growth common shares into Exchangeable Shares, Canopy USA will not be permitted to exercise its 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 the Wana Option and the Jetty Option, as well as the TerrAscend Exchangeable Shares and other securities in the capital of TerrAscend. In addition, the Company is contractually required to cause Canopy USA to exercise its Repurchase Right to acquire the Canopy USA Common Shares held by the third party investors, being the Canopy USA Common Shares held by VCo Ventures.

Potential Changes to Canopy USA Structure

The Company is committed to both optimizing the value of Canopy USA and remaining in compliance with the Nasdaq Stock Market (the "Nasdaq") listing requirements. Accordingly, while Canopy Growth remains in discussions with the Nasdaq and another exchange with respect to its ongoing listing despite the consolidation of the financial results of Canopy USA with the Company's financial results, the Company is prepared to make changes to the structure of its interest in Canopy USA such that Canopy Growth would not be required to consolidate the financial results of Canopy USA into Canopy Growth's financial statements, which may include: (1) reducing Canopy Growth's economic interest in Canopy USA on an as-converted basis to no greater than 90%; (2) reducing the number of managers on Canopy USA's board of managers from four to three, including, reducing Canopy Growth's nomination right to a single manager; (3) modifying the terms of the Protection Agreement and Canopy USA's Limited Liability Company Agreement in order to eliminate certain negative covenants; and (4) modifying the terms of the agreements with third-party investors in Canopy USA to, among other things, eliminate their right to guaranteed returns.

4. ASSET IMPAIRMENT AND RESTRUCTURING COSTS

Three months ended June 30, 2022

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 13 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 adult-use cannabis business, and (ii) implement a flexible manufacturing platform, including contract manufacturing for certain product formats.

Three months ended September 30, 2022

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

- Impairment losses associated with the divestiture of the Company's Canadian retail operations pursuant to the OEGRC Transaction and the FOUR20 Transaction (as each term is defined below), as described in Note 28 below. In connection with this 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 13 for further details) and asset impairment charges relating to certain acquired brand intangible assets.

Three months ended December 31, 2022

In the three months ended December 31, 2022, the Company recorded asset impairment and restructuring costs primarily related to:

- Asset impairment charges totaling $10,600 relating to certain acquired brand intangible assets within our Canada cannabis segment.
- Employee-related restructuring charges associated with actions completed in the three months ended December 31, 2022 as part of the Company's ongoing program to align general and administrative costs with business objectives, and further streamline the Company's operations.
- Incremental impairment losses associated with the divestiture of the Company's Canadian retail operations, as described above and in Note 28, as the Company recorded write-downs of certain other assets due to the excess of their carrying values over their estimated fair values, and recognized contractual and other settlement obligations.
- 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.

As a result, in the three and nine months ended December 31, 2022, the Company recognized asset impairment and restructuring costs of $22,259 and $1,794,212, respectively (three and nine months ended December 31, 2021 – $36,439 and $128,198, respectively).

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31, 2022	March 31, 2022
Cash	$ 524,979	$ 470,682
Cash equivalents	73,152	305,323
	$ 598,131	$ 776,005

6. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

	December 31, 2022	March 31, 2022
Term deposits	$ 98,286	$ 319,092
Asset-backed securities	80,924	21,905
Government securities	-	22,253
Commercial paper and other	11,909	232,401
	$ 191,119	$ 595,651

The amortized cost of short-term investments at December 31, 2022 is $193,537 (March 31, 2022 – $599,862).

7. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

	December 31, 2022	March 31, 2022
Accounts receivable, net	$ 85,297	$ 78,059
Indirect taxes receivable	7,835	7,524
Interest receivable	2,585	4,406
Other receivables	8,923	6,454
	$ 104,640	$ 96,443

Included in the accounts receivable, net balance at December 31, 2022 is an allowance for doubtful accounts of $6,477 (March 31, 2022 – $4,764).

8. INVENTORY

The components of inventory are as follows:

	December 31, 2022	March 31, 2022
Raw materials, packaging supplies and consumables	$ 34,940	$ 26,821
Work in progress	64,483	65,245
Finished goods	114,514	112,321
	$ 213,937	$ 204,387

In the three and nine months ended December 31, 2022, the Company recorded write-downs related to inventory in cost of goods sold of $9,820 and $32,978, respectively (three and nine months ended December 31, 2021 – $11,811 and $104,662, respectively).

9. PREPAID EXPENSES AND OTHER ASSETS

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

	December 31, 2022	March 31, 2022
Prepaid expenses	$ 28,736	$ 23,041
Deposits	7,740	10,145
Prepaid inventory	786	449
Other assets	14,889	19,065
	$ 52,151	$ 52,700

10. 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 22.

Entity	Instrument	Balance at March 31, 2022	Additions	Fair value changes	Foreign currency translation adjustments	Other	Balance at December 31, 2022
Acreage[1]	Option	$ -	$ -	$ 37,000	$ -	$ -	$ 37,000
TerrAscend Exchangeable Shares	Exchangeable shares	229,000	51,000	(207,000)	-	-	73,000
TerrAscend Canada - October 2019	Term loan / debenture	10,280	-	(146)	-	(10,134)	-
TerrAscend Canada - March 2020	Term loan / debenture	49,890	-	(4,804)	-	(45,086)	-
Arise Bioscience	Term loan / debenture	13,343	-	(1,767)	1,268	(12,844)	-
TerrAscend - October 2019	Warrants	3,730	-	(3,372)	-	(358)	-
TerrAscend - March 2020	Warrants	60,740	-	(46,376)	-	(14,364)	-
TerrAscend - December 2020	Warrants	3,460	-	(2,246)	-	(1,214)	-
TerrAscend - December 2022	Warrants	-	33,000	(17,500)	-	-	15,500
TerrAscend	Option	6,300	-	(5,050)	-	-	1,250
Wana	Option	372,343	-	(135,405)	22,398	-	259,336
Jetty	Options	-	90,120	(9,778)	5,048	-	85,390
Acreage Hempco[1]	Debenture	28,824	-	874	2,373	(4,218)	27,853
Acreage Debt Option Premium	Option	-	38,048	-	581	-	38,629
Acreage Tax Receivable Agreement	Other	-	41,491	-	(231)	-	41,260
Other - at fair value through net income (loss)	Various	10,396	-	(1,185)	524	-	9,735
Other - classified as held for investment	Loan receivable	12,022	-	-	-	(2,588)	9,434
		$ 800,328	$ 253,659	$ (396,755)	$ 31,961	$ (90,806)	$ 598,387

[1] See Note 29 for information regarding the Acreage Arrangement and Acreage Hempco.

For information regarding the Reorganization, see Note 3. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds an ownership interest in certain U.S. cannabis investments previously held by the Company, including, among others, interests in the Floating Shares of Acreage, Wana, Jetty, and TerrAscend.

TerrAscend Arrangement

On December 9, 2022, Canopy USA and certain limited partnerships that are controlled by Canopy USA entered into a debt settlement agreement (the "TerrAscend Settlement Agreement") with TerrAscend, TerrAscend Canada Inc. ("TerrAscend Canada") and Arise BioScience, Inc. ("Arise BioScience", together with TerrAscend and TerrAscend Canada, the "TerrAscend Entities") whereby $125,467 in aggregate loans, including accrued interest thereon, payable by certain subsidiaries of TerrAscend were extinguished and 22,474,130 TerrAscend Warrants, being all of the previously issued TerrAscend Warrants controlled by Canopy USA (the "Prior Warrants") were cancelled in exchange for the issuance of: (i) 24,601,467 TerrAscend Exchangeable Shares at a notional price of $5.10 per TerrAscend Exchangeable Share; and (ii) 22,474,130 new TerrAscend Warrants (the "New Warrants" and, together with the TerrAscend Exchangeable Shares, the "New TerrAscend Securities") with a weighted average exercise price of $6.07 per TerrAscend Common Share and expiring on December 31, 2032 (collectively, the "TerrAscend Arrangement").

Following the issuance of the New TerrAscend Securities, Canopy USA beneficially owns: (i) 63,492,037 TerrAscend Exchangeable Shares; (ii) 22,474,130 New Warrants; and (iii) the TerrAscend Option. The TerrAscend Exchangeable Shares can be converted into TerrAscend Common Shares at Canopy USA's option, subject to the terms of the Protection Agreement.

On December 9, 2022, the estimated fair value of the financial instruments that were derecognized from these consolidated financial statements was $89,094, consisting of: (i) the aggregate term loans or debentures that were extinguished, including accrued interest, with an estimated fair value of $72,191; and (ii) the Prior Warrants that were cancelled, with an estimated fair value of $16,903. Changes in the estimated fair value of these financial instruments up to December 9, 2022 were recorded in other income (expense), net. On December 9, 2022, the estimated fair value of the financial instruments that were received from the TerrAscend Entities was $84,000, consisting of: (i) 24,601,467 TerrAscend Exchangeable Shares with an estimated fair value of $51,000; and (ii) the New Warrants, with an estimated fair value of $33,000. Changes in estimated fair value of these financial instruments from initial recognition to December 31, 2022 were recorded in other income (expense), net. See Note 22 for additional details on how the fair value of all TerrAscend financial instruments are calculated on a recurring basis. The loss of $5,094 resulting from the difference, on December 9, 2022, between the carrying amounts of the derecognized financial instruments and the fair value of the financial assets received, was also recorded in other income (expense), net.

See Note 3 for information regarding the Reorganization. Following the implementation of the Reorganization, as of October 24, 2022, Canopy USA holds certain U.S. cannabis investments previously held by the Company, including the aforementioned direct and indirect interests in the capital of TerrAscend.

Jetty

On May 17, 2022, the Company and 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 December 31, 2022, the estimated fair value of the Jetty financial instruments was $85,390, with the change in estimated fair value from initial recognition recorded in other income (expense), net. See Note 22 for additional details on how the fair value of the Jetty financial instruments is calculated on a recurring basis.

See Note 3 for information regarding the Reorganization. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds certain U.S. cannabis investments previously held by the Company, which is expected to enable Canopy USA, following, among other things, the Meeting and the exercise of the Acreage Option, including the issuance of the Fixed Shares to Canopy USA, to consummate the acquisitions of Acreage, 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 into Canopy USA Common Shares, 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.

Acreage-Related Agreements

Tax Receivable Agreement

On October 24, 2022, the Company and Canopy USA entered into a third amendment to the tax receivable agreement (the "Amended TRA") with, among others, certain current or former unitholders (the "Holders") of High Street Capital Partners, LLC, a subsidiary of Acreage ("HSCP"), pursuant to HSCP's amended tax receivable agreement (the "TRA") and related tax receivable bonus plans with Acreage. Pursuant to the Amended TRA, the Company, on behalf of Canopy USA, agreed to issue common shares of the Company with a fair value of US$30,441 to certain Holders as consideration for the assignment of such Holder's rights under the TRA to Canopy USA. As a result of the Amended TRA, Canopy USA is the sole member and beneficiary under the TRA.

In connection with the foregoing, the Company issued 5,648,927 common shares with a value of $20,630 (US$15,220) to certain Holders on November 4, 2022 as the first installment under the Amended TRA with the second payment of approximately US$15,220 in common shares of the Company 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. Accordingly, as the second payment pursuant to the Amended TRA is not contingent upon any condition, a liability has been recorded in the amount of $20,630 (see Note 16).

The aggregate amount of $41,491 paid, or to be paid, by the Company in common shares in relation to the assignment of rights in favor of Canopy USA in accordance with the Amended TRA represents a financial instrument that has been recorded at cost upon initial recognition.

The Company, on behalf of Canopy USA, also agreed to issue common shares of the Company with a value of approximately US$19,559 to certain eligible participants pursuant to HSCP’s existing tax receivable bonus plans to be issued immediately prior to completion of the Floating Share Arrangement. No accounting recognition was given to this payment in the three months ended December 31, 2022 as such payment is contingent upon the completion of the Floating Share Arrangement or, if the Floating Share Arrangement is not completed, upon the closing of the acquisition of the Fixed Shares under the Existing Acreage Arrangement Agreement.

Acreage Debt Option Premium

On November 15, 2022, a wholly-owned subsidiary of Canopy Growth (the "Acreage Debt Optionholder") and Acreage's existing lenders (the "Lenders") entered into an option agreement, which superseded the letter agreement dated October 24, 2022 between the parties, pursuant to which the Acreage Debt Optionholder was granted the right 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 the Lenders in exchange for an option premium payment of $38,048 (US$28,500) (the "Option Premium"), which was deposited into an escrow account on November 17, 2022. The Acreage Debt Optionholder has the right to exercise the option at its discretion, and if the option is exercised, the Option Premium will be used to reduce the purchase price to be paid for the outstanding 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.

The Option Premium represents a financial instrument that has been recorded at cost upon initial recognition.

11. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2022	March 31, 2022
Buildings and greenhouses	$ 752,177	$ 766,931
Production and warehouse equipment	140,975	159,314
Leasehold improvements	24,323	69,304
Office and lab equipment	24,263	29,879
Computer equipment	18,060	22,293
Land	17,395	18,917
Right-of-use-assets		
Buildings and greenhouses	74,153	89,228
Production and warehouse equipment	27	55
Assets in process	12,712	19,771
	1,064,085	1,175,692
Less: Accumulated depreciation	(190,056)	(232,912)
	$ 874,029	$ 942,780

Depreciation expense included in cost of goods sold for the three and nine months ended December 31, 2022 is $12,033 and $34,423, respectively (three and nine months ended December 31, 2021 – $13,813 and $38,663, respectively). Depreciation expense included in selling, general and administrative expenses for the three and nine months ended December 31, 2022 is $1,544 and $8,762, respectively (three and nine months ended December 31, 2021 – $5,546 and $17,804, respectively).

12. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	December 31, 2022		March 31, 2022	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
Finite lived intangible assets				
Intellectual property	$ 141,488	$ 89,758	$ 138,170	$ 97,638
Distribution channel	72,799	22,045	72,642	24,834
Operating licenses	24,400	19,762	24,400	22,052
Software and domain names	36,464	15,221	29,822	14,206
Brands	5,620	3,128	5,547	3,680
Amortizable intangibles in process	842	842	5,476	5,476
Total	$ 281,613	$ 150,756	$ 276,057	$ 167,886
Indefinite lived intangible assets				
Acquired brands		$ 62,774		$ 74,809
Operating licenses		-		10,000
Total intangible assets		$ 213,530		$ 252,695

Amortization expense included in cost of goods sold for the three and nine months ended December 31, 2022 is $16 and $45, respectively (three and nine months ended December 31, 2021 – $19 and $62, respectively). Amortization expense included in selling, general and administrative expenses for the three and nine months ended December 31, 2022 is $7,009 and $20,516, respectively (three and nine months ended December 31, 2021 – $10,639 and $27,400, respectively).

13. 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		3,479
Balance, December 31, 2022	$	142,076

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 30), 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 Company does not believe that an event occurred or circumstances changed during the three months ended December 31, 2022 that would, more likely than not, reduce the fair values of the remaining reporting units below their carrying values. Therefore, the Company concluded that the quantitative goodwill impairment assessment was not required for the remaining reporting units at December 31, 2022. The carrying value of goodwill associated with all other reporting units was $142,076 at December 31, 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.

14. OTHER ACCRUED EXPENSES AND LIABILITIES

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

	December 31, 2022	March 31, 2022
Employee compensation	$ 29,213	$ 24,873
Inventory	951	10,096
Professional fees	6,891	7,640
Taxes and government fees	8,541	7,144
Other	30,389	25,525
	$ 75,985	$ 75,278

15. DEBT

The components of debt are as follows:

	Maturity Date	December 31, 2022	March 31, 2022
Unsecured senior notes at 4.25% interest with semi-annual interest payments	July 15, 2023		
Principal amount		$ 337,380	$ 600,000
Accrued interest		6,731	5,958
Non-credit risk fair value adjustment		19,062	7,140
Credit risk fair value adjustment		(37,618)	(49,140)
		325,555	563,958
Convertible debentures	September 10, 2025	30,867	32,858
Accretion debentures	September 10, 2025	8,506	7,720
Credit facility	March 18, 2026	838,407	893,647
Other revolving debt facility, loan, and financings		2,266	2,808
		1,205,601	1,500,991
Less: current portion		(455,483)	(9,296)
Long-term portion		$ 750,118	$ 1,491,695

Credit Facility

On March 18, 2021, the Company entered into 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 3, 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 under the Credit Agreement to complete the Paydown, which will result in the Company tendering US$187,500 of principal amount outstanding thereunder at a discounted price of US$930 per US$1,000 or US$174,375 in the aggregate. The first payment in the amount of $117,528 (US$87,852), representing an aggregate principal payment amount of $126,324 (US$94,427) was made on November 10, 2022, and the second payment pursuant to the Paydown is to be made no later than April 17, 2023. The Company also agreed to the Credit Agreement Amendments which, among other things, resulted in: (i) reductions to the minimum Liquidity (as defined in the Credit Agreement) covenant to US$100,000, which is to be further reduced as payments are made in accordance with the Paydown; (ii) certain changes to the application of net proceeds from asset sales; (iii) the establishment of a new committed delayed draw term credit facility in an aggregate principal amount of US$100,000; and (iv) the elimination of 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 noted above, as a result of the Credit Agreement 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 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 (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 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 Global Select Market 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 was 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 for cash. 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 nine months ended December 31, 2022, the Company acquired and cancelled an aggregate principal amount of Notes of $nil and $262,620, respectively, which resulted in a release of accumulated other comprehensive income into other income (expense), net for the three and nine months ended December 31, 2022 of $nil and $44,370, respectively. The related tax impact of $nil and $14,862 for the three and nine months ended December 31, 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 20.

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 nine months ended December 31, 2022, were recorded through other income (expense), net. The derivative liability with a fair value of $39,896 was derecognized upon Final Closing on July 18, 2022.

The overall change in fair value of the Notes during the three and nine months ended December 31, 2022, was an increase of $4,427 and a decrease of $238,403, respectively (three and nine months ended December 31, 2021, a decrease of $16,806 and a decrease of $120,372, respectively), which included contractual interest of $3,583 and $13,370, respectively (three and nine months ended December 31, 2021 – $6,444 and $19,128, respectively) and principal redemption of $nil and $262,620, respectively. Upon redemption, the principal redeemed during the three and nine months ended December 31, 2022 had a fair value of $nil and $225,369, respectively. Refer to Note 22 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.

16. OTHER LIABILITIES

The components of other liabilities are as follows:

	As at December 31, 2022			As at March 31, 2022		
	Current	Long-term	Total	Current	Long-term	Total
Lease liabilities	$ 35,537	$ 83,167	$ 118,704	$ 38,035	$ 101,125	$ 139,160
Acquisition consideration and other investment related liabilities	7,908	47,169	55,077	4,020	77,834	81,854
Refund liability	2,937	-	2,937	3,437	-	3,437
Settlement liabilities and other	37,752	11,555	49,307	18,562	11,090	29,652
	$ 84,134	$ 141,891	$ 226,025	$ 64,054	$ 190,049	$ 254,103

The estimated deferred payments associated with the Wana financial instrument within acquisition consideration and other investment related liabilities at December 31, 2022 is $39,307 (March 31, 2022 – $70,066).

In connection with the second installment payable by the Company, on behalf of Canopy USA, pursuant to the Amended TRA, as described in Note 10, a liability has been recorded at December 31, 2022 in the amount of $20,630 in settlement liabilities and other.

17. REDEEMABLE NONCONTROLLING INTEREST

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

	Vert Mirabel	BioSteel	Total
As at March 31, 2022	$ 1,000	$ 35,200	$ 36,200
Net income (loss) attributable to redeemable noncontrolling interest	508	(18,316)	(17,808)
Adjustments to redemption amount	(508)	20,874	20,366
Redemption of redeemable noncontrolling interest	-	(27,350)	(27,350)
As at December 31, 2022	$ 1,000	$ 10,408	$ 11,408

	Vert Mirabel	BioSteel	Total
As at March 31, 2021	$ 11,500	$ 123,800	$ 135,300
Net income (loss) attributable to redeemable noncontrolling interest	(2,401)	(10,699)	(13,100)
Adjustments to redemption amount	2,401	(50,792)	(48,391)
Redemption of redeemable noncontrolling interest		(5,109)	(5,109)
As at December 31, 2021	$ 11,500	$ 57,200	$ 68,700

18. SHARE CAPITAL

CANOPY GROWTH

Authorized

An unlimited number of common shares.

(i) Equity financings

There were no equity financings during the nine months ended December 31, 2022 (nine months ended December 31, 2021 - none).

(ii) Other issuances of common shares

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

	Number of common shares	Share capital	Share based reserve
Jetty Agreements	8,426,539	$ 59,013	$ -
HSCP Holders pursuant to Amended TRA	5,648,927	20,630	-
Completion of acquisition milestones	222,421	1,379	(1,379)
Other issuances	237,802	1,209	(353)
Total	14,535,689	$ 82,231	$ (1,732)

For the three and nine months ended December 31, 2022, the Company also issued 8,692,128 common shares with a value of $26,506 relating to its redemption of the redeemable noncontrolling interest in BioSteel. The redemption increases the Company's interest in BioSteel from 78.6% to 90.3%.

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

	Number of common shares	Share capital	Share based reserve
Acquisition of Supreme Cannabis	9,013,400	$ 260,668	$ -
Completion of acquisition milestones	1,295,285	29,276	(29,721)
Other issuances	351,252	6,630	(405)
Total	10,659,937	$ 296,574	$ (30,126)

(iii) Warrants

	Number of whole warrants	Average exercise price	Warrant value
Balance outstanding at March 31, 2022[1]	128,193,047	$ 58.04	$ 2,581,788
Expiry of warrants	-	-	-
Balance outstanding at December 31, 2022[1]	128,193,047	$ 58.04	$ 2,581,788

[1] This balance excludes the Tranche C Warrants (as defined below), which represent a derivative liability and have nominal value. See Note 29.

	Number of whole warrants	Average exercise price	Warrant value
Balance outstanding at March 31, 2021[1]	127,073,136	$ 58.33	$ 2,568,438
Supreme Cannabis warrants	1,265,742	25.61	13,350
Expiry of warrants	(145,831)	32.61	-
Balance outstanding at December 31, 2021[1]	128,193,047	$ 58.04	$ 2,581,788

[1] This balance excludes the Tranche C Warrants, which represent a derivative liability and have nominal value. See Note 29.

19. 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 49,489,139 at December 31, 2022. As of December 31, 2022, the only Awards issued have been Options, RSUs and PSUs under the Omnibus Plan.

The Omnibus Plan is administered by the Corporate Governance, Compensation and Nominating Committee of the Board (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 nine months ended December 31, 2022, nil and 237,802 common shares were issued under the Purchase Plan (three and nine months ended December 31, 2021 – nil and 61,103).

The following is a summary of the changes in the Options outstanding during the nine months ended December 31, 2022:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2022	16,782,962	$ 33.89
Options granted	4,651,176	4.94
Options exercised	(76,929)	3.41
Options forfeited	(6,058,172)	29.37
Balance outstanding at December 31, 2022	15,299,037	$ 27.07

The following is a summary of the Options outstanding as at December 31, 2022:

	Options Outstanding		Options Exercisable	
Range of Exercise Prices	Outstanding at December 31, 2022	Weighted Average Remaining Contractual Life (years)	Exercisable at December 31, 2022	Weighted Average Remaining Contractual Life (years)
$0.06 - $24.62	6,083,908	4.83	1,369,076	2.77
$24.63 - $33.53	3,281,232	2.58	2,033,996	2.24
$33.54 - $36.80	1,569,568	1.94	1,569,568	1.94
$36.81 - $42.84	1,800,926	2.05	1,794,649	2.02
$42.85 - $67.64	2,563,403	2.10	2,563,403	2.10
	15,299,037	3.27	9,330,692	2.19

At December 31, 2022, the weighted average exercise price of Options outstanding and Options exercisable was $27.07 and $37.46, respectively (March 31, 2022 – $33.89 and $38.33, respectively).

The Company recorded $1,790 and $5,175 in share-based compensation expense related to Options and Purchase Plan shares issued to employees and contractors for the three and nine months ended December 31, 2022, respectively (three and nine months ended December 31, 2021 – $3,696 and $22,038, respectively). The share-based compensation expense for the nine months ended December 31, 2022, includes an amount related to 1,078,748 Options being provided in exchange for services which are subject to performance conditions (for the nine months ended December 31, 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 December 31, 2022 and 2021, on their measurement date by applying the following assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	3.47%	1.21%
Expected life of options (years)	3 - 5	3 - 5
Expected volatility	82%	75%
Expected forfeiture rate	20%	18%
Expected dividend yield	nil	nil
Black-Scholes value of each option	$3.34	$7.55

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

During the nine months ended December 31, 2022, 76,929 Options were exercised ranging in price from $0.06 to $8.18 for gross proceeds of $271 (for the nine months ended December 31, 2021 – 421,476 Options were exercised ranging in price from $0.06 to $36.34 for gross proceeds of $5,455).

For the three and nine months ended December 31, 2022, the Company recorded $4,265 and $15,718, respectively, in share-based compensation expense related to RSUs and PSUs (for the three and nine months ended December 31, 2021 – $1,950 and $7,935, respectively).

The following is a summary of the changes in the Company's RSUs and PSUs during the nine months ended December 31, 2022:

	Number of RSUs and PSUs
Balance outstanding at March 31, 2022	3,477,292
RSUs and PSUs granted	3,128,198
RSUs and PSUs released	(359,628)
RSUs and PSUs cancelled and forfeited	(1,925,026)
Balance outstanding at December 31, 2022	4,320,836

During the three and nine months ended December 31, 2022, the Company recorded $nil in share-based compensation expense related to acquisition milestones (for the three and nine months ended December 31, 2021 – $971 and $4,376, respectively).

During the three and nine months ended December 31, 2022, 222,421 common shares were released on completion of acquisition milestones (during the three and nine months ended December 31, 2021 – 419,884 and 1,295,285, respectively). At December 31, 2022, there were up to 125,489 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 December 31, 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 December 31, 2022, BioSteel had 924,719 (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 $373 and $832 of share-based compensation expense related to the BioSteel options during the three and nine months ended December 31, 2022, respectively, (three and nine months ended December 31, 2021 – $160 and $684, respectively).

20. 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, net of tax	-	(29,507)	(29,507)
Other comprehensive income	24,694	32,847	57,541
As at December 31, 2022	$ (32,774)	$ 18,526	$ (14,248)

	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	(18,767)	26,280	7,513
As at December 31, 2021	$ (47,013)	$ 20,286	$ (26,727)

21. 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)	508	(18,316)	(1,844)	(19,652)
Net (income) loss attributable to redeemable noncontrolling interest	(508)	18,316	-	17,808
Share-based compensation	-	495	-	495
Ownership changes	-	(1,552)	1,356	(196)
As at December 31, 2022	$ -	$ 1,440	$ 1,356	$ 2,796

	Vert Mirabel	BioSteel	Other non-material interests	Total
As at March 31, 2021	$ -	$ 1,658	$ 3,051	$ 4,709
Comprehensive loss	(2,401)	(10,699)	(1,207)	(14,307)
Net loss attributable to redeemable noncontrolling interest	2,401	10,699	-	13,100
Share-based compensation	-	684	-	684
As at December 31, 2021	$ -	$ 2,342	$ 1,844	$ 4,186

22. 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			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
December 31, 2022				
Assets:				
Short-term investments	$ 191,119	$ -	$ -	$ 191,119
Restricted short-term investments	12,932	-	-	12,932
Other financial assets	251	-	508,813	509,064
Liabilities:				
Unsecured senior notes	-	325,555	-	325,555
Warrant derivative liability	-	-	668	668
Other liabilities	-	-	43,102	43,102
March 31, 2022				
Assets:				
Short-term investments	$ 595,651	$ -	$ -	$ 595,651
Restricted short-term investments	12,216	-	-	12,216
Other financial assets	490	-	787,816	788,306
Liabilities:				
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:

Financial asset / financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Acreage financial instrument	Probability weighted expected return model	Probability of each scenario	Change in probability of occurrence in each scenario will result in a change in fair value
		Number of common shares to be issued	Increase or decrease in value and number of common shares will result in a decrease or increase in fair value
		Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Estimated premium on US legalization	Increase or decrease in estimated premium on US legalization will result in an increase or decrease in fair value
		Control premium	Increase or decrease in estimated control premium will result in an increase or decrease in fair value
		Market access premium	Increase or decrease in estimated market access premium will result in an increase or decrease in fair value
TerrAscend Exchangeable Shares, TerrAscend Option	Put option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Hempco Debenture	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
TerrAscend warrants - December 2022	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
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

23. REVENUE

Revenue is disaggregated as follows:

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Canada cannabis				
Canadian adult-use cannabis				
Business-to-business[1]	$ 21,522	$ 33,282	$ 73,379	$ 117,902
Business-to-consumer	11,036	14,477	36,243	48,473
	32,558	47,759	109,622	166,375
Canadian medical cannabis[2]	14,059	12,919	41,714	39,504
	$ 46,617	$ 60,678	$ 151,336	$ 205,879
Rest-of-world cannabis				
C[3]	-	9,675	-	33,005
Other rest-of-world cannabis	5,846	12,624	30,179	32,357
	$ 5,846	$ 22,299	$ 30,179	$ 65,362
Storz & Bickel	$ 20,214	$ 25,205	$ 49,351	$ 63,786
BioSteel	$ 16,363	$ 16,974	$ 64,173	$ 31,147
This Works	$ 8,289	$ 10,730	$ 20,677	$ 26,308
Other	3,884	5,086	13,475	16,073
Net revenue	$ 101,213	$ 140,972	$ 329,191	$ 408,555

[1]Canadian adult-use business-to-business net revenue during the three and nine months ended December 31, 2022 reflects excise taxes of $10,797 and $33,754, respectively (three and nine months ended December 31, 2021 – $12,754 and $43,501, respectively).
[2]Canadian medical cannabis net revenue for the three and nine months ended December 31, 2022 reflects excise taxes of $1,339 and $3,625, respectively (three and nine months ended December 31, 2021 – $1,298 and $4,039, 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 $8,869 and $15,345 for the three and nine months ended December 31, 2022, respectively (three and nine months ended December 31, 2021 – $3,726 and $12,375, respectively). As of December 31, 2022, the liability for estimated returns and price adjustments was $2,937 (March 31, 2022 – $3,437).

24. OTHER INCOME (EXPENSE), NET

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

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fair value changes on other financial assets	$ (95,815)	$ (68,666)	$ (396,755)	$ (263,946)
Fair value changes on liability arising from Acreage Arrangement	-	59,000	47,000	497,000
Fair value changes on unsecured senior notes	(8,964)	606	(32,365)	81,342
Fair value changes on warrant derivative liability	23	67,282	26,252	578,084
Fair value changes on acquisition related contingent consideration and other	1,762	712	25,902	544
Gain (loss) and charges related to settlement of debt	8,912	-	4,224	-
Interest income	7,048	1,575	15,922	6,977
Interest expense	(33,288)	(26,408)	(90,660)	(77,618)
Foreign currency gain (loss)	2,966	990	(8,828)	2,902
Gain (loss) on disposal/acquisition of consolidated entity	4,142	-	6,223	(1,653)
Other income (expense), net	(126)	(809)	(3,677)	(12,863)
	$ (113,340)	$ 34,282	$ (406,762)	$ 810,769

25. INCOME TAXES

There have been no material changes to income tax matters in connection with normal course operations during the nine months ended December 31, 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.

26. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Basic (loss) earnings per share computation				
Net (loss) income attributable to common shareholders of Canopy Growth	$ (261,583)	$ (108,925)	$ (2,566,537)	$ 272,435
Weighted average number of common shares outstanding	486,112,598	393,818,282	453,237,882	390,423,083
Basic (loss) earnings per share	$ (0.54)	$ (0.28)	$ (5.66)	$ 0.70
Diluted (loss) earnings per share computation				
Net (loss) income used in the computation of basic (loss) earnings per share	$ (261,583)	$ (108,925)	$ (2,566,537)	$ 272,435
Numerator adjustments for diluted (loss) earnings per share:				
Adjustment to net loss attributable to noncontrolling interests and redeemable noncontrolling interest	-	-	-	(13,100)
Removal of fair value changes on unsecured senior notes	-	-	-	(81,342)
Net (loss) income used in the computation of diluted (loss) earnings per share	$ (261,583)	$ (108,925)	$ (2,566,537)	$ 177,993
Weighted average number of common shares outstanding used in the computation of basic (loss) earnings per share	486,112,598	393,818,282	453,237,882	390,423,083
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	-	-	-	4,528,898
Stock options	-	-	-	745,700
Other securities	-	-	-	2,834,501
Weighted average number of common shares for computation of diluted (loss) earnings per share	486,112,598	393,818,282	453,237,882	410,986,802
Diluted (loss) earnings per share[1]	$ (0.54)	$ (0.28)	$ (5.66)	$ 0.43

[1] 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.

27. ACQUISITION

The following table summarizes the consolidated balance sheet impact at acquisition of the Company's business combination that occurred in the nine months ended December 31, 2022:

	Verona Manufacturing Facility
Property, plant and equipment	$ 28,771
Debt and other liabilities	(2,373)
Net assets acquired	$ 26,398
Consideration paid in cash	$ 24,223
Other consideration	2,175
Total consideration	$ 26,398
Consideration paid in cash	$ 24,223
Less: Cash and cash equivalents acquired	-
Net cash outflow	$ 24,223

The table above summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for the acquisition completed in the nine months ended December 31, 2022.

Acquisition of Verona Manufacturing Facility

On November 8, 2022, the Company, through its affiliate BioSteel, completed the acquisition (the "Verona Acquisition") of a manufacturing facility located in Verona, Virginia (the "Verona Facility") from Flow Beverage Corp. ("Flow"), one of BioSteel's contract manufacturers. Consideration was $26,398 (US$19,477), consisting of cash paid of $15,685 (US$11,573) and $8,538 (US$6,299) related to the repayment of debt and the retirement of certain lease obligations, and $2,175 (US$1,605) in remediation and indemnity holdbacks to be retained by the Company and paid within one year of the closing of the Verona Acquisition. BioSteel and Flow have also entered into a co-manufacturing agreement whereby, in addition to the production of BioSteel-branded sports hydration beverages, BioSteel will produce Flow's portfolio of branded water at the Verona Facility.

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

28. RETAIL DIVESTITURE

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:

- An agreement with OEG Retail Cannabis (“OEGRC”), a prior Canopy Growth licensee partner, pursuant to which OEGRC acquired 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”). In connection with the OEGRC Transaction, the Tokyo Smoke brand has been transferred to OEGRC and all acquired retail stores branded as Tweed will be rebranded by OEGRC. In addition, the master franchise agreement between the Company and OEGRC, pursuant to which OEGRC licenses the Tokyo Smoke brand in Ontario, was terminated effective on the closing of the OEGRC Transaction. The OEGRC Transaction closed on December 30, 2022.
- An agreement (the "FOUR20 Agreement") with 420 Investments Ltd. (“FOUR20”), a licensed cannabis retailer, pursuant to which FOUR20 acquired 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 FOUR20 Transaction. The FOUR20 Transaction closed on October 26, 2022.

In the three months ended December 31, 2022, upon closing of the OEGRC Transaction and the FOUR20 Transaction, the Company received a cash payment of $88. The Company will also be entitled to deferred consideration of $5,500, and an earn-out payment of $6,099, subject to the achievement of certain revenue targets by the divested retail stores.

Following the divestiture of the retail stores pursuant to the OEGRC Transaction and the FOUR20 Transaction, the Company derecognized the assets and liabilities of the associated retail stores from these consolidated financial statements at their carrying amounts on their respective closing dates, as follows:

Current assets	$	6,461
Property, plant and equipment		7,990
Other long-term assets		144
Current liabilities		(9,492)
Net assets disposed	$	5,103
Consideration received in cash	$	88
Future cash consideration		11,599
Costs to sell		(2,442)
Total consideration	$	9,245
Gain on disposal of consolidated entity	$	4,142

The gain calculated on the derecognition of the assets and liabilities of the retail stores is the difference between the carrying amounts of the derecognized assets and liabilities, and the fair value of consideration received, net of costs to sell.

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

Acreage Arrangement

On September 23, 2020, the Company and Acreage entered into a second amendment (the "Acreage Amending Agreement") to the arrangement agreement (the "Original Acreage Arrangement Agreement") and plan of arrangement (the "Original Acreage Arrangement") between the Company and Acreage dated April 18, 2019, as amended on May 15, 2019. In connection with the Acreage Amending Agreement, the Company and Acreage implemented an amended and restated plan of arrangement (the "Acreage Amended Arrangement") on September 23, 2020. Pursuant to the terms of the Original Acreage Arrangement, shareholders of Acreage and holders of certain securities convertible into the existing Acreage 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 Acreage 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 Original Acreage Arrangement Agreement.

The Acreage 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 Original Acreage Arrangement Agreement (as modified in connection with the Acreage Amending Agreement), Canopy Growth will acquire all of the issued and outstanding 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 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 3 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, 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 certain U.S. cannabis investments previously held by the Company, which is expected to enable Canopy USA, following, among other things, the Meeting and the exercise of the Acreage Option, including the issuance of the Fixed Shares to Canopy USA, to consummate the acquisitions of Acreage, Wana and Jetty.

At December 31, 2022, the right and the obligation (the "Acreage financial instrument") to acquire the Fixed Shares pursuant to the Existing Acreage Arrangement Agreement represents a financial asset of $37,000 (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 24. The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 22 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 - *Financial Instruments* ("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 3, 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 10), and the Company has elected the fair value option under ASC 825 (see Note 22). At December 31, 2022, the estimated fair value of the Hempco Debenture issued to an affiliate of the Company by Acreage Hempco was $27,853 (March 31, 2022 – $28,824), measured using a discounted cash flow model (see Note 22). Refer to Note 10 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 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 December 31, 2022.

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

The Tranche B Warrants are accounted for as derivative instruments (the "warrant derivative liability") measured at fair value in accordance with ASC 815. At December 31, 2022, the fair value of the warrant derivative liability was $668 (March 31, 2022 – $26,920), and fair value changes are recognized in other income (expense), net; see Note 24. See Note 22 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 December 31, 2022.

As described in Note 3, in connection with the Reorganization, the Company entered into the Consent Agreement, pursuant to which CBG 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, CBG will surrender the warrants held by CBG to purchase 139,745,453 common shares of the Company for cancellation for no consideration.

30. 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 began 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		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Segmented net revenue				
Canada cannabis	$ 46,617	$ 60,678	$ 151,336	$ 205,879
Rest-of-world cannabis	5,846	22,299	30,179	65,362
Storz & Bickel	20,214	25,205	49,351	63,786
BioSteel	16,363	16,974	64,173	31,147
This Works	8,289	10,730	20,677	26,308
Other	3,884	5,086	13,475	16,073
	$ 101,213	$ 140,972	$ 329,191	$ 408,555
Segmented gross margin:				
Canada cannabis	$ (5,281)	$ (13,121)	(25,466)	$ (97,925)
Rest-of-world cannabis	(2,184)	4,660	(3,676)	24,245
Storz & Bickel	9,186	11,172	20,809	27,623
BioSteel	(7,669)	1,352	(804)	(2,361)
This Works	4,032	5,469	8,982	12,423
Other	(525)	558	143	2,183
	(2,441)	10,090	(12)	(33,812)
Selling, general and administrative expenses	122,636	116,835	351,891	355,165
Share-based compensation	6,428	6,777	21,725	35,856
Asset impairment and restructuring costs	22,259	36,439	1,794,212	128,198
Operating loss	(153,764)	(149,961)	(2,167,840)	(553,031)
Loss from equity method investments	-	-	-	(100)
Other income (expense), net	(113,340)	34,282	(406,762)	810,769
(Loss) income before incomes taxes	$ (267,104)	$ (115,679)	$ (2,574,602)	$ 257,638

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		Nine months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Canada	$ 65,851	$ 78,644	$ 226,312	$ 241,440
Germany	12,772	23,143	36,383	71,619
United States	10,292	22,764	30,688	60,856
Other	12,298	16,421	35,808	34,640
	$ 101,213	$ 140,972	$ 329,191	$ 408,555

Disaggregation of property, plant and equipment by geographic area:

	December 31, 2022	March 31, 2022
Canada	$ 726,613	$ 827,591
United States	96,159	63,247
Other	51,257	51,942
	$ 874,029	$ 942,780

For the three months ended December 31, 2022, no customer represented more than 10% of the Company's net revenue (three months ended December 31, 2021 – none).

For the nine months ended December 31, 2022, no customer represented more than 10% of the Company's net revenue (nine months ended December 31, 2021 – one)

31. SUBSEQUENT EVENTS

Canadian Cannabis Operations Restructuring

On February 9, 2023, the Company announced a series of comprehensive steps to align its Canadian cannabis operations and resources in response to unfavorable market realities, which include:

- Transitioning to an asset-light model by: (i) exiting cannabis flower cultivation in the Company's Smiths Falls, Ontario facility; (ii) ceasing the sourcing of cannabis flower from the Company's Mirabel, Quebec facility; and (iii) consolidating cultivation at the Company's existing facilities in Kincardine, Ontario and Kelowna, British Columbia;
- Moving to an adaptive third-party sourcing model for all cannabis beverages, edibles, vapes, and extracts which will enable the Company to select and bring to market new product formats without the required investment in research and development and production footprint;
- As a result of the aforementioned changes, the Company intends to consolidate flower, pre-rolled joints, softgel, and oil manufacturing in the Company's current beverage production facility in Smiths Falls, Ontario and reduce headcount across the business; and
- The Company intends to close the 1 Hershey Drive facility in Smiths Falls, Ontario and the Company is in active discussions with respect to restructuring the joint-venture entity which holds the cultivation facility in Mirabel, Quebec.