
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-38496

Canopy Growth Corporation

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of
incorporation or organization)

1 Hershey Drive

Smiths Falls, Ontario

(Address of principal executive offices)

N/A

(I.R.S. Employer
Identification No.)

K7A 0A8

(Zip Code)

Registrant's telephone number, including area code: (855) 558-9333

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common shares, no par value	CGC	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 7, 2024, there were 91,114,604 common shares of the registrant issued and outstanding.

Table of Contents

	Page
PART I.	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements</u> 1
	<u>Condensed Interim Consolidated Balance Sheets</u> 1
	<u>Condensed Interim Consolidated Statements of Operations and Comprehensive Loss</u> 2
	<u>Condensed Interim Consolidated Statements of Shareholders' Equity</u> 3
	<u>Condensed Interim Consolidated Statements of Cash Flows</u> 7
	<u>Notes to the Condensed Interim Consolidated Financial Statements</u> 9
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 38
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 73
Item 4.	<u>Controls and Procedures</u> 75
PART II.	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u> 77
Item 1A.	<u>Risk Factors</u> 78
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 79
Item 3.	<u>Defaults Upon Senior Securities</u> 79
Item 4.	<u>Mine Safety Disclosures</u> 79
Item 5.	<u>Other Information</u> 79
Item 6.	<u>Exhibits</u> 80
	<u>Signatures</u> 81

Unless otherwise noted or the context indicates otherwise, references in this Quarterly Report on Form 10-Q ("Quarterly Report") to the "Company," "Canopy Growth," "we," "us" and "our" refer to Canopy Growth Corporation and its direct and indirect wholly-owned subsidiaries; the term "cannabis" means the plant of any species or subspecies of genus Cannabis and any part of that plant, including all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers; and the term "U.S. hemp" has the meaning given to the term "hemp" in the U.S. Agricultural Improvement Act of 2018 (the "2018 Farm Bill"), including hemp-derived cannabidiol ("CBD").

This Quarterly Report contains references to our trademarks and trade names and to trademarks and trade names belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Quarterly Report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us or our business by, any other companies.

All currency amounts in this Quarterly Report are stated in Canadian dollars, which is our reporting currency, unless otherwise noted. All references to "dollars" or "CDN\$" are to Canadian dollars and all references to "US\$" are to U.S. dollars.

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, 2023	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 142,745	\$ 667,693
Short-term investments	43,436	105,526
Restricted short-term investments	7,275	11,765
Amounts receivable, net	63,924	68,459
Inventory	86,917	83,230
Assets of discontinued operations	29,401	116,291
Prepaid expenses and other assets	23,582	24,290
Total current assets	397,280	1,077,254
Other financial assets	392,324	568,292
Property, plant and equipment	340,479	471,271
Intangible assets	119,072	160,750
Goodwill	85,237	85,563
Noncurrent assets of discontinued operations	-	56,569
Other assets	25,359	19,996
Total assets	<u>\$ 1,359,751</u>	<u>\$ 2,439,695</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 25,837	\$ 31,835
Other accrued expenses and liabilities	49,775	53,743
Current portion of long-term debt and convertible debentures	91,336	556,890
Liabilities of discontinued operations	-	67,624
Other liabilities	54,397	93,750
Total current liabilities	221,345	803,842
Long-term debt	520,738	749,991
Noncurrent liabilities of discontinued operations	-	3,417
Other liabilities	73,005	122,423
Total liabilities	815,088	1,679,673
Commitments and contingencies		
Canopy Growth Corporation shareholders' equity:		
Common shares - \$nil par value; Authorized - unlimited number of shares;		
Issued and outstanding - 82,931,963 shares and 51,730,555 shares, respectively ¹	8,219,747	7,938,571
Additional paid-in capital	2,578,519	2,506,485
Accumulated other comprehensive loss	(16,049)	(13,860)
Deficit	(10,237,693)	(9,672,761)
Total Canopy Growth Corporation shareholders' equity	544,524	758,435
Noncontrolling interests	139	1,587
Total shareholders' equity	544,663	760,022
Total liabilities and shareholders' equity	<u>\$ 1,359,751</u>	<u>\$ 2,439,695</u>

¹ Prior year share amounts have been retrospectively adjusted to reflect the Share Consolidation (as defined below), which became effective on December 15, 2023. See Note 2 for details.

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

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

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022 (As Restated)	2023	2022 (As Restated)
Revenue	\$ 90,061	\$ 96,986	\$ 260,781	\$ 302,397
Excise taxes	11,556	12,136	36,423	37,379
Net revenue	78,505	84,850	224,358	265,018
Cost of goods sold	50,279	79,622	158,944	264,226
Gross margin	28,226	5,228	65,414	792
Operating expenses				
Selling, general and administrative expenses	54,436	89,604	174,810	271,425
Share-based compensation	3,693	6,055	10,127	20,893
Loss on asset impairment and restructuring	30,413	22,259	2,452	1,794,212
Total operating expenses	88,542	117,918	187,389	2,086,530
Operating loss from continuing operations	(60,316)	(112,690)	(121,975)	(2,085,738)
Other income (expense), net	(171,037)	(115,490)	(253,270)	(396,074)
Loss from continuing operations before income taxes	(231,353)	(228,180)	(375,245)	(2,481,812)
Income tax recovery (expense)	1,077	1,336	(13,762)	(10,633)
Net loss from continuing operations	(230,276)	(226,844)	(389,007)	(2,492,445)
Discontinued operations, net of income tax	13,479	(37,532)	(194,451)	(169,492)
Net loss	(216,797)	(264,376)	(583,458)	(2,661,937)
Net loss from continuing operations attributable to noncontrolling interests and redeemable noncontrolling interest	-	(542)	-	(1,336)
Discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interest	-	(4,369)	(18,526)	(22,523)
Net loss attributable to Canopy Growth Corporation	\$ (216,797)	\$ (259,465)	\$ (564,932)	\$ (2,638,078)
Basic and diluted loss per share¹				
Continuing operations	\$ (2.78)	\$ (4.66)	\$ (5.56)	\$ (54.96)
Discontinued operations	0.16	(0.68)	(2.52)	(3.24)
Basic and diluted loss per share	\$ (2.62)	\$ (5.34)	\$ (8.08)	\$ (58.20)
Basic and diluted weighted average common shares outstanding ¹	82,919,190	48,611,260	69,918,744	45,323,788
Comprehensive income (loss):				
Net loss from continuing operations	\$ (230,276)	\$ (226,844)	\$ (389,007)	\$ (2,492,445)
Other comprehensive income (loss), net of income tax				
Fair value changes of own credit risk of financial liabilities	(1,354)	4,538	(13,824)	32,847
Foreign currency translation	10,104	14,921	575	24,694
Total other comprehensive income (loss), net of income tax	8,750	19,459	(13,249)	57,541
Comprehensive loss from continuing operations	(221,526)	(207,385)	(402,256)	(2,434,904)
Comprehensive income (loss) from discontinued operations	13,479	(37,532)	(194,451)	(169,492)
Comprehensive loss	(208,047)	(244,917)	(596,707)	(2,604,396)
Comprehensive loss from continuing operations attributable to noncontrolling interests and redeemable noncontrolling interest	-	(542)	-	(1,336)
Comprehensive loss from discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interest	-	(4,369)	(18,526)	(22,523)
Comprehensive loss attributable to Canopy Growth Corporation	\$ (208,047)	\$ (240,006)	\$ (578,181)	\$ (2,580,537)

¹ Prior year share and per share amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

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)

	Three months ended December 31, 2023					Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
	Common shares	Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest				
Balance at September 30, 2023	\$ 8,219,846	\$ 507,358	\$ 2,590,765	\$ (522,949)	\$ -	\$ (24,799)	\$ (10,020,896)	\$ 139	\$ 749,464
Other issuances of common shares and warrants	(447)	-	-	-	-	-	-	-	(447)
Share-based compensation	-	3,693	-	-	-	-	-	-	3,693
Issuance and vesting of restricted share units and performance share units	348	(348)	-	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	-	8,750	(216,797)	-	(208,047)
Balance at December 31, 2023	<u>\$ 8,219,747</u>	<u>\$ 510,703</u>	<u>\$ 2,590,765</u>	<u>\$ (522,949)</u>	<u>\$ -</u>	<u>\$ (16,049)</u>	<u>\$ (10,237,693)</u>	<u>\$ 139</u>	<u>\$ 544,663</u>

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

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

	Nine months ended December 31, 2023								Total
	Common shares	Share-based reserve	Additional paid-in capital		Redeemable noncontrolling interest	Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	
	Warrants	Ownership changes							
Balance at March 31, 2023	\$ 7,938,571	\$ 498,150	\$ 2,581,788	\$ (521,961)	\$ (51,492)	\$ (13,860)	\$ (9,672,761)	\$ 1,587	\$ 760,022
Private Placement, net of issuance costs	12,836	9,820	8,977	-	-	-	-	-	31,633
Other issuances of common shares and warrants	252,576	(80)	-	-	-	11,060	-	-	263,556
Exercise of Previous Equity Incentive Plan stock options	165	(165)	-	-	-	-	-	-	-
Share-based compensation	-	10,127	-	-	-	-	-	-	10,127
Issuance and vesting of restricted share units and performance share units	7,149	(7,149)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	(18,526)	-	-	18,526	-
Ownership changes relating to noncontrolling interests, net	-	-	-	-	70,018	-	-	(1,436)	68,582
Redemption of redeemable noncontrolling interest	8,450	-	-	(988)	-	-	-	(12)	7,450
Comprehensive loss	-	-	-	-	-	(13,249)	(564,932)	(18,526)	(596,707)
Balance at December 31, 2023	<u>\$ 8,219,747</u>	<u>\$ 510,703</u>	<u>\$ 2,590,765</u>	<u>\$ (522,949)</u>	<u>\$ -</u>	<u>\$ (16,049)</u>	<u>\$ (10,237,693)</u>	<u>\$ 139</u>	<u>\$ 544,663</u>

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

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

	Three months ended December 31, 2022								
	Common shares	Additional paid-in capital			Redeemable noncontrolling interest	Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
Share-based reserve		Warrants	Ownership changes						
Balance at September 30, 2022 (As Restated)	\$ 7,818,089	\$ 501,455	\$ 2,581,788	\$ (505,000)	\$ (40,140)	\$ (33,707)	\$ (8,773,216)	\$ 2,956	\$ 1,552,225
Other issuances of common shares and warrants	22,009	(1,379)	-	-	-	-	-	-	20,630
Share-based compensation	-	6,054	-	-	-	-	-	-	6,054
Issuance and vesting of restricted share units and performance share units	706	(706)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	22,439	-	-	4,911	27,350
Ownership changes relating to noncontrolling interests, net	-	-	-	-	-	-	-	1,392	1,392
Redemption of redeemable noncontrolling interest	26,506	-	-	(2,696)	(27,350)	-	-	(1,552)	(5,092)
Comprehensive loss	-	-	-	-	-	19,459	(259,465)	(4,911)	(244,917)
Balance at December 31, 2022 (As Restated)	<u>\$ 7,867,310</u>	<u>\$ 505,424</u>	<u>\$ 2,581,788</u>	<u>\$ (507,696)</u>	<u>\$ (45,051)</u>	<u>\$ (14,248)</u>	<u>\$ (9,032,681)</u>	<u>\$ 2,796</u>	<u>\$ 1,357,642</u>

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

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

	Nine months ended December 31, 2022								
	Common shares	Additional paid-in capital			Redeemable noncontrolling interest	Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
		Share-based reserve	Warrants	Ownership changes					
Balance at March 31, 2022 (As Restated)	\$ 7,482,809	\$ 492,041	\$ 2,581,788	\$ (509,723)	\$ (42,860)	\$ (42,282)	\$ (6,378,199)	\$ 4,341	\$ 3,587,915
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 Previous Equity Incentive Plan stock options	1,506	(1,236)	-	-	-	-	-	-	270
Share-based compensation	-	20,892	-	-	-	-	-	-	20,892
Issuance and vesting of restricted share units	8,993	(8,993)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	4,723	25,159	-	-	22,015	51,897
Ownership changes relating to noncontrolling interests, net	-	-	-	-	-	-	-	1,851	1,851
Redemption of redeemable noncontrolling interest	26,506	-	-	(2,696)	(27,350)	-	(15,675)	(1,552)	(20,767)
Settlement of unsecured senior notes	265,265	-	-	-	-	(29,507)	-	-	235,758
Comprehensive income (loss)	-	-	-	-	-	57,541	(2,638,078)	(23,859)	(2,604,396)
Balance at December 31, 2022 (As Restated)	<u>\$ 7,867,310</u>	<u>\$ 505,424</u>	<u>\$ 2,581,788</u>	<u>\$ (507,696)</u>	<u>\$ (45,051)</u>	<u>\$ (14,248)</u>	<u>\$ (9,032,681)</u>	<u>\$ 2,796</u>	<u>\$ 1,357,642</u>

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

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

	Nine months ended December 31,	
	2023	2022 (As Restated)
Cash flows from operating activities:		
Net loss	\$ (583,458)	\$ (2,661,937)
Loss from discontinued operations, net of income tax	(194,451)	(169,492)
Net loss from continuing operations	(389,007)	(2,492,445)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	22,485	42,674
Amortization of intangible assets	19,396	18,058
Share-based compensation	10,127	20,893
(Gain) loss on asset impairment and restructuring	(816)	1,797,854
Income tax expense	13,762	10,633
Non-cash fair value adjustments and charges related to settlement of unsecured senior notes	188,452	325,742
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Amounts receivable	(14,460)	13,143
Inventory	(8,047)	(92)
Prepaid expenses and other assets	(843)	(2,665)
Accounts payable and accrued liabilities	891	(19,084)
Other, including non-cash foreign currency	(47,901)	(13,501)
Net cash used in operating activities - continuing operations	(205,961)	(298,790)
Net cash used in operating activities - discontinued operations	(53,930)	(119,019)
Net cash used in operating activities	(259,891)	(417,809)
Cash flows from investing activities:		
Purchases of and deposits on property, plant and equipment	(3,200)	(6,176)
Purchases of intangible assets	(716)	(1,265)
Proceeds on sale of property, plant and equipment	153,753	10,894
Redemption of short-term investments	68,294	415,322
Net cash (outflow) proceeds on sale of subsidiaries	(3,719)	12,432
Investment in other financial assets	(472)	(67,186)
Other investing activities	(9,234)	2,051
Net cash provided by investing activities - operating activities	204,706	366,072
Net cash used in investing activities - discontinued operations	(2,600)	(23,947)
Net cash provided by investing activities	202,106	342,125
Cash flows from financing activities:		
Proceeds from issuance of common shares and warrants	33,795	856
Proceeds from exercise of stock options	-	270
Repayment of long-term debt	(480,080)	(117,951)
Other financing activities	(27,239)	(29,096)
Net cash used in financing activities	(473,524)	(145,921)
Effect of exchange rate changes on cash and cash equivalents	(2,953)	43,731
Net decrease in cash and cash equivalents	(534,262)	(177,874)
Cash and cash equivalents, beginning of period ¹	677,007	776,005
Cash and cash equivalents, end of period ²	\$ 142,745	\$ 598,131

¹ Includes cash of our discontinued operations of \$9,314 and \$13,610 for March 31, 2023 and 2022, respectively.

² Includes cash of our discontinued operations of \$nil and \$13,261 for December 31, 2023 and 2022, respectively.

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,	
	2023	2022
Supplemental disclosure of cash flow information		
Cash received during the period:		
Income taxes	\$ 4,002	\$ 4,709
Interest	\$ 14,230	\$ 20,140
Cash paid during the period:		
Income taxes	\$ 1,551	\$ 1,099
Interest	\$ 80,108	\$ 95,267
Noncash investing and financing activities		
Additions to property, plant and equipment	\$ 199	\$ 425

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

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

1. DESCRIPTION OF BUSINESS

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

The principal activities of the Company are the production, distribution and sale of a diverse range of cannabis and cannabinoid-based products for both adult-use and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, SC 2018, c 16 (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 lawful, permissible and regulated, and the Company, through its subsidiaries, operates in the United States, Australia, Germany, and certain other global markets. Additionally, the Company produces, distributes and sells vaporizers and similar cannabis accessories.

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 the Company's operations across multiple geographies, the majority of its operations are conducted in Canadian dollars and its financial results are prepared and reviewed internally by management in Canadian dollars. The Company's 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 fiscal year ended March 31, 2023 (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.

Going Concern

The condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As reflected in the condensed interim consolidated financial statements, the Company has certain material debt obligations coming due in the short-term, has suffered recurring losses from operations and requires additional financing to fund its business and operations. If the Company is unable to raise additional capital, it is possible that it will be unable to meet certain of its financial obligations.

These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for at least twelve months from the issuance of these condensed interim consolidated financial statements.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements and to raise additional capital, and the success of its future operations. The condensed interim consolidated financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management plans to fund the operations and debt obligations of the Company through existing cash positions. The Company is also currently evaluating several different strategies and intends to pursue actions that are expected to increase its liquidity position, including, but not limited to, pursuing additional actions under the Company's cost-savings plan, seeking additional financing from both the public and private markets through the issuance of equity and/or debt securities, and monetizing additional assets.

The Company's management cannot provide assurances that the Company will be successful in accomplishing any of its proposed financing plans. Management also cannot provide any assurance as to unforeseen circumstances that could occur within the next twelve months or, if the Company raises capital, thereafter, which could increase the Company's need to raise additional capital on an immediate basis, which capital may not be available to the Company.

Principles of consolidation

These 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 22.

Use of estimates

The preparation of these condensed interim consolidated financial statements and 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.

Share Consolidation

On December 13, 2023, the Company announced that the Company's board of directors (the "Board") had approved the consolidation of the Company's issued and outstanding common shares on the basis of one post-consolidation common share for every 10 pre-consolidation common shares (the "Share Consolidation"). The Share Consolidation was implemented to ensure that the Company continues to comply with the listing requirements of the Nasdaq Global Select Market.

The Share Consolidation was approved by the Company's shareholders at the annual general and special meeting of shareholders held on September 25, 2023. The Share Consolidation became effective on December 15, 2023. No fractional common shares were issued in connection with the Share Consolidation. Any fractional common shares arising from the Share Consolidation were deemed to have been tendered by its registered owner to the Company for cancellation for no consideration. In addition, the exercise or conversion price and/or the number of common shares issuable under any of the Company's outstanding convertible securities, were proportionately adjusted in connection with the Share Consolidation.

All issued and outstanding common shares, per share amounts, and outstanding equity instruments and awards exercisable into common shares, as well as the exchange ratios for the Fixed Shares (as defined below) and the Floating Shares (as defined below) in connection with the Acreage Amending Arrangement and the Floating Share Arrangement (as defined below), respectively, contained in the condensed interim consolidated financial statements of the Company and notes thereto have been retroactively adjusted to reflect the Share Consolidation for all prior periods presented.

New accounting policies

Recently Adopted Accounting Pronouncements

Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the Financial Accounting Standards Board (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.

Accounting Guidance Not Yet Adopted

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”), which expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2023-07 for our fiscal year ending March 31, 2025.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”), which enhances income tax disclosures, primarily through changes to the rate reconciliation and disaggregation of income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2023-09 for our fiscal year ending March 31, 2026.

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 Canopy USA, LLC (“Canopy USA”), a new U.S.-domiciled holding company (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 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 each, a “Wana Entity”), and Lemurian, Inc. (“Jetty”). There were no changes recorded in the estimated fair values of the U.S. cannabis investments described below upon implementation of the Reorganization, and their transfer from Canopy Growth to Canopy USA.

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

- **Wana** - The options to acquire 100% of the membership interests of Wana (the “Wana Options”), a leading cannabis edibles brand in North America.
- **Jetty** - The options to acquire 100% of the shares of Jetty (the “Jetty Options”), 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 0.03048 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 0.045 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 held 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 included: (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, TerrAscend Canada Inc. and Arise BioScience, Inc., 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: (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. 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 A&R Protection Agreement (as defined below).

Following the implementation of the Reorganization, Canopy USA was determined to be a variable interest entity pursuant to ASC 810 - *Consolidations* ("ASC 810") and prior to the completion of the Reorganization Amendments (as defined below), 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 consolidated the financial results of Canopy USA.

Amendments to Canopy USA Structure

Following the creation of Canopy USA, the Nasdaq Stock Market LLC ("Nasdaq") communicated its position to the Company stating that companies that consolidate "the assets and revenues generated from activities in violation under federal law cannot continue to list on Nasdaq". Since the Company is committed to compliance with the listing requirements of the Nasdaq, the Company and Canopy USA effectuated certain changes to the initial structure of the Company's interest in Canopy USA that were intended to facilitate the deconsolidation of the financial results of Canopy USA within the Company's financial statements. These changes included, among other things, modifying the terms of the Protection Agreement between the Company, its wholly-owned subsidiary and Canopy USA as well as the terms of Canopy USA's limited liability company agreement and amending the terms of certain agreements with third-party investors in Canopy USA to eliminate any rights to guaranteed returns (collectively, the "Reorganization Amendments").

On May 19, 2023, the Company and Canopy USA implemented the Reorganization Amendments, which included, entering into the First A&R Protection Agreement (as defined below) and amending and restating Canopy USA's limited liability company agreement (the "A&R LLC Agreement") in order to: (i) eliminate certain negative covenants that were previously granted by Canopy USA in favor of the Company as well as delegating to the managers of the Canopy USA Board (as defined below) not appointed by Canopy Growth the authority to approve the following key decisions (collectively, the "Key Decisions"): (a) the annual business plan of Canopy USA; (b) decisions regarding the executive officers of Canopy USA and any of its subsidiaries; (c) increasing the compensation, bonus levels or other benefits payable to any current, former or future employees or managers of Canopy USA or any of its subsidiaries; (d) any other executive compensation plan matters of Canopy USA or any of its subsidiaries; and (e) the exercise of the Wana Options or the Jetty Options, which for greater certainty means that the Company's nominee on the Canopy USA Board will not be permitted to vote on any Key Decisions while the Company owns Non-Voting Shares (as defined below); (ii) reduce the number of managers on the Canopy USA Board from four to three, including, reducing the Company's nomination right to a single manager; (iii) amend the share capital of Canopy USA to, among other things, (a) create a new class of Canopy USA Class B Shares (as defined below), which may not be issued prior to the conversion of the Non-Voting Shares or the Canopy USA Common Shares (as defined below) into Canopy USA Class B Shares; (b) amend the terms of the Non-Voting Shares such that the Non-Voting Shares will be convertible into Canopy USA Class B Shares (as opposed to Canopy USA Common Shares); and (c) amend the terms of the Canopy USA Common Shares such that upon conversion of all of the Non-Voting Shares into Canopy USA Class B Shares, the Canopy USA Common Shares will, subject to their terms, automatically convert into Canopy USA Class B Shares, provided that the number of Canopy USA Class B Shares to be issued to the former holders of the Canopy USA Common Shares will be equal to no less than 10% of the total issued and outstanding Canopy USA Class B Shares following such issuance. Accordingly, as a result of the Reorganization Amendments, in no circumstances will the Company, at the time of such conversions, own more than 90% of the Canopy USA Class B Shares.

In connection with the Reorganization Amendments, on May 19, 2023, Canopy USA and Huneeus 2017 Irrevocable Trust (the "Trust") entered into a share purchase agreement (the "Trust SPA"), which sets out the terms of the Trust's investment in Canopy USA in the aggregate amount of up to US\$20 million (the "Trust Transaction"). Agustin Huneeus, Jr. is the trustee of the Trust and is an affiliate of a shareholder of Jetty. Pursuant to the terms of the Trust SPA, the Trust will, subject to certain terms and conditions contained in the Trust SPA be issued Canopy USA Common Shares in two tranches with an aggregate value of up to US\$10 million along with warrants of Canopy USA to acquire additional Canopy USA Common Shares. In addition, subject to the terms of the Trust SPA, the Trust has also been granted options to acquire additional Voting Shares (as defined in the A&R LLC Agreement) with a value of up to an additional US\$10 million and one such additional option includes the issuance of additional warrants of Canopy USA.

In addition, subject to the terms and conditions of the A&R 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.

On November 3, 2023, the Company received a letter from the staff of the SEC (the "Staff") in which the Staff indicated that, despite the Reorganization Amendments, it would object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP once Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage. The Company subsequently had discussions with the Office of Chief Accountant of the SEC (the "OCA") and determined to make certain additional amendments to the structure of Canopy USA (the "Additional Reorganization Amendments") to facilitate the deconsolidation of Canopy USA from the financial results of Canopy Growth in accordance with U.S. GAAP upon Canopy USA's acquisition of Wana, Jetty or Acreage. In that regard, the Company filed a revised preliminary proxy statement with the SEC on each of January 25, 2024 and February 5, 2024 in connection with the Amendment Proposal (as defined below) that discloses these Additional Reorganization Amendments. In connection with the Additional Reorganization Amendments, Canopy USA and its members expect to enter into a second amended and restated limited liability company agreement (the "Second A&R LLC Agreement") immediately prior to the completion of the first tranche closing of the Trust Transaction. Upon the effective date of the Second A&R LLC Agreement, the terms of the Non-Voting Shares will be amended such that the Non-Voting Shares will only be convertible into Canopy USA Class B Shares following the date that the NASDAQ Stock Market or The New York Stock Exchange permit the listing of companies that consolidate the financial statements of companies that cultivate, distribute or possess marijuana (as defined in 21 U.S.C 802) in the United States (the "Triggering Event Date"). Based on the Company's discussions with the OCA, upon effectuating the Additional Reorganization Amendments, the Company believes that the Staff would not object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP once Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage.

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. Following the Reorganization Amendments, the Non-Voting Shares are convertible into Class B shares of Canopy USA (the "Canopy USA Class B Shares"), provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the Triggering Event Date. The Company also has the right (regardless of the fact that its Non-Voting Shares are non-voting and non-participating) to appoint one member to the Canopy USA board of managers (the "Canopy USA Board").

As of December 31, 2023, a third party investor owned all of the issued and outstanding Class A shares of Canopy USA (the "Canopy USA Common Shares") and a wholly-owned subsidiary of the Company holds Non-Voting Shares in the capital of Canopy USA, representing approximately more than 99% of the issued and outstanding shares in Canopy USA on an as-converted basis.

On October 24, 2022, Canopy USA and the Company also entered into an agreement with, among others, Nancy Whiteman, the controlling shareholder of Wana, which was amended and restated on May 19, 2023, whereby subsidiaries of Canopy USA agreed to pay additional consideration in order to acquire the Wana Options and the future payments owed in connection with the exercise of the Wana Options (as described in Note 11) 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 the later of: (i) the date that the Wana Options are exercised; and (ii) the closing date of the first tranche of the Trust Transaction (the "Wana Valuation Date") less any net debt of Wana as of the Wana Valuation Date plus any net cash of Wana as of Wana Valuation Date. 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, on the later of: (i) the date of exercise of the Wana Options and (ii) the date that 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. 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) December 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 exercisable at any time after the 36 month anniversary of the closing of the transaction contemplated by the Wana Amending Agreement (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 fair market value as determined by an appraiser. As part of this agreement, Canopy USA has granted Ms. Whiteman the right to appoint one member to the Canopy USA Board 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 in accordance with their terms, provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the Triggering Event Date, but does not provide Canopy Growth with the ability to direct the business, operations or activities of Canopy USA. The Protection Agreement was amended and restated in connection with: (a) the Reorganization Amendments (the “First A&R Protection Agreement”); and (b) the Additional Reorganization Amendments (the “Second A&R Protection Agreement” and together with the First A&R Protection Agreement, the “A&R Protection Agreement”).

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 (as defined below).

Until such time as Canopy Growth converts the Non-Voting Shares into Canopy USA Class B Shares following the Triggering Event Date, 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, as amended (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 under the *Business Corporations Act* (British Columbia) (the “Floating Share Arrangement”) in exchange for 0.045 of a Company common share for each Floating Share held. In connection with the Floating Share Arrangement Agreement, Canopy Growth has irrevocably waived the Acreage Floating Option (as defined below) existing under the Existing Acreage Arrangement Agreement.

On October 24, 2022, the Company and Canopy USA entered into a third amendment to 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 value of US\$30.4 million 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: (i) 564,893 common shares with a value of \$20.6 million (US\$15.2 million) to certain Holders on November 4, 2022 as the first installment under the Amended TRA; and (ii) 710,208 common shares with a value of \$20.6 million (US\$15.2 million) to certain Holders on March 17, 2023, as the second installment under the Amended TRA. The Company, on behalf of Canopy USA, also agreed to issue common shares of the Company with a value of approximately US\$19.6 million 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.

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

In addition to shareholder and court approvals, the Floating Share Arrangement is subject to approval of the Amendment Proposal (as defined below) and applicable regulatory approvals including, but not limited to, Toronto Stock Exchange (“TSX”) approval and the satisfaction of certain other closing conditions customary in transactions of this nature. The Floating Share Arrangement received the requisite approval from the holders of Floating Shares at the special meeting of Acreage shareholders held on March 15, 2023 and on March 20, 2023 Acreage obtained a final order from the Supreme Court of British Columbia approving the Floating Share Arrangement. The Floating Share Arrangement Agreement has been amended several times to extend the Exercise Outside Date (as defined in the Floating Share Arrangement Agreement), which was initially March 31, 2023. The most recent amendment to the Floating Share Arrangement Agreement extended the Exercise Outside Date to March 31, 2024. The completion of the Floating Share Arrangement is subject to satisfaction or, if permitted, waiver of certain closing conditions, including, among others, approval of the Amendment Proposal on or prior to the Exercise Outside Date.

It is intended that Canopy Growth’s existing option to acquire the Fixed Shares on the basis of 0.03048 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 Acreage 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 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.

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\$150.0 million (the “Acreage Debt”) from the Lenders in exchange for an option premium payment of \$38.0 million (US\$28.5 million) (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.

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 Options and the Jetty Options. In the event the Amendment Proposal is not approved, Canopy USA will not be permitted to exercise its rights to acquire shares of Wana or Jetty and the Floating Share Arrangement Agreement will be terminated. In such circumstances, Canopy will retain the Acreage Option under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold the Wana Options and the Jetty Options, 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.

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 “Third 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 Third Consent Agreement and the termination rights contained therein and the 4.25% unsecured senior notes due in 2023 (the “Canopy 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 Third 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 13,974,545 common shares for cancellation for no consideration; and (ii) all nominees of CBI that are currently sitting on the Board will resign from the Board. In addition, pursuant to the Third Consent Agreement and following the Reorganization Amendments, Canopy Growth is contractually required to convert its Non-Voting Shares into Canopy USA Class B Shares, provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the Triggering Event Date, 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 sixty days after the Meeting (the “Termination Date”). The Third 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 from the Company or exercise its rights under the Wana Options or Jetty

Options, and the Floating Share Arrangement Agreement will be terminated. In such circumstances, Canopy Growth will retain the Acreage Option under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold the Wana Options and the Jetty Options, as well as the TerrAscend Exchangeable Shares and other securities in the capital of TerrAscend. If CBI does not convert its Canopy Growth common shares into Exchangeable Shares, the Company is also contractually required to cause Canopy USA to exercise its repurchase right to acquire the Canopy USA Common Shares held by the third party investors.

4. BIOSTEEL

On September 14, 2023, following a review of the strategic options for the BioSteel business unit, Canopy Growth ceased funding the operations of BioSteel Sports Nutrition Inc. ("BioSteel Canada") and commenced proceedings (the "CCAA Proceedings") under the *Companies' Creditors Arrangement Act* (the "CCAA") in the Ontario Superior Court of Justice (Commercial List) (the "CCAA Court") and sought and obtained recognition of that proceeding under Chapter 15 of the United States Bankruptcy Code. To assist with the sale process, the Court approved the appointment of a monitor.

As a result of the CCAA Proceedings, the most relevant activity of BioSteel Canada became the liquidation and sale of assets. Management concluded that Canopy Growth ceased to have the power to direct the relevant activity of BioSteel Canada because the liquidation and sale transactions required approval from the CCAA Court. Thus, Canopy Growth no longer has a controlling interest in BioSteel Canada and has deconsolidated the entity effective September 14, 2023. The deconsolidation of BioSteel Canada and related impairment charges are classified under losses from discontinued operations.

The strategic decisions made encompassed all operations of the BioSteel business unit, including those of BioSteel Canada. For this reason, the BioSteel segment results for all periods prior to the September 14, 2023 deconsolidation of BioSteel Canada, including costs to exit, are classified as discontinued operations.

On November 16, 2023, BioSteel Sports Nutrition USA LLC ("BioSteel US") and BioSteel Manufacturing LLC ("BioSteel Manufacturing" and collectively with BioSteel Canada and BioSteel US, the "BioSteel Entities") were added as additional applicants in the CCAA Proceedings. As a result, the most relevant activity of both entities became the liquidation and sale of assets and distribution of cash and proceeds to their respective stakeholders and management concluded that Canopy Growth ceased to have the power to direct the relevant activities of BioSteel US and BioSteel Manufacturing because those activities required approval from the CCAA Court. Thus, Canopy Growth no longer has a controlling interest in either entity and has deconsolidated both entities effective November 16, 2023. The deconsolidation of BioSteel US and BioSteel Manufacturing and related impairment charges are classified under losses from discontinued operations.

	Three months ended		Nine months ended	
	December 31, 2023	December 31, 2022 (As Restated)	December 31, 2023	December 31, 2022 (As Restated)
Net revenue	\$ 172	\$ 19,181	\$ 56,610	\$ 50,351
Cost of goods sold	1,900	24,504	145,625	64,779
Operating expenses	(726)	33,405	97,851	143,423
Operating loss	(1,002)	(38,728)	(186,866)	(157,851)
Other income (expense), net ¹	14,481	2,150	(8,521)	(10,687)
Income tax (expense) recovery	-	(954)	936	(954)
Net income (loss) on discontinued operations, net of tax	\$ 13,479	\$ (37,532)	\$ (194,451)	\$ (169,492)

¹ Included in Other income (expense), net for the three and nine months ended December 31, 2023 is a gain on deconsolidation of \$12,417 and loss on deconsolidation of \$9,820, respectively.

Investment in BioSteel Entities

Canopy Growth continues to have a 90.4% ownership interest in BioSteel Canada and 100% ownership interests in each of BioSteel US and BioSteel Manufacturing, but has deconsolidated the BioSteel Entities because it no longer has a controlling interest in them. Since the estimated amount of the liabilities of the BioSteel Entities exceeds the estimated fair value of the assets available for distribution to its creditors, the fair value of Canopy Growth's equity investment in the BioSteel Entities approximates zero.

Canopy Growth's Amounts Receivable from BioSteel Entities

Prior to Canopy Growth's deconsolidation of BioSteel Canada, Canopy Growth made significant secured loans to BioSteel Canada for purposes of funding its operations. The secured loans and corresponding interest were considered intercompany transactions and eliminated in Canopy Growth's consolidated financial statements prior to September 14, 2023, being the deconsolidation date. As of the deconsolidation date, the secured loans and corresponding interest are now considered related party transactions and have been recognized in Canopy Growth's consolidated financial statements at their estimated fair value of \$29,000.

As of the deconsolidation date for BioSteel US and BioSteel Manufacturing, Canopy Growth has recorded remaining amounts legally receivable from BioSteel US and BioSteel Manufacturing at their estimated fair value.

The remaining amounts legally receivable from the BioSteel Entities are measured at their expected recoverable amounts. The assets and liabilities related to the BioSteel Entities business units are classified as discontinued operations and the major categories are as follows:

	December 31, 2023	March 31, 2023
Cash	\$ -	\$ 9,314
Short-term investments	-	69
Amounts receivable, net	-	25,528
Receivable from BioSteel Entities	29,401	-
Inventory	-	65,671
Prepaid expenses and other assets	-	15,709
Property, plant and equipment	-	28,195
Intangible assets	-	27,969
Other assets	-	405
Total assets of discontinued operations	<u>\$ 29,401</u>	<u>\$ 172,860</u>
Accounts payable	-	44,399
Other accrued expenses and liabilities	-	22,248
Other current liabilities	-	977
Deferred income tax liabilities	-	954
Other liabilities	-	2,463
Total liabilities of discontinued operations	<u>\$ -</u>	<u>\$ 71,041</u>

5. LOSS ON ASSET IMPAIRMENT AND RESTRUCTURING

In the three months ended December 31, 2023, the Company recorded a loss on asset impairment and restructuring. The loss for the three months ended December 31, 2023 primarily relates to the This Works Divestiture (as defined below) as This Works was classified as held for sale and measured at its fair value less costs to sell which was lower than its carrying amount (refer to Note 27).

For the nine months ended December 31, 2023, the loss on asset impairment and restructuring was primarily related to: (i) the Company's divestiture of This Works; and (ii) various incremental impairment losses and other costs associated with the restructuring of the Company's Canadian cannabis operations that were initiated in the three months ended March 31, 2023. The loss on asset impairment and restructuring was partially offset by a gain on the sale of the Company's production facility at 1 Hershey Drive in Smiths Falls, Ontario. Such gain was due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023.

As a result, in the three and nine months ended December 31, 2023, the Company recognized a loss on asset impairment and restructuring of \$30,413 and \$2,452, respectively (three and nine months ended December 31, 2022 – loss of \$22,259 and \$1,794,212, respectively).

6. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	December 31, 2023	March 31, 2023
Cash	\$ 87,621	\$ 453,146
Cash equivalents	55,124	214,547
	<u>\$ 142,745</u>	<u>\$ 667,693</u>

7. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

	December 31, 2023	March 31, 2023
Government securities	\$ -	\$ 60,157
Term deposits	43,436	30,000
Commercial paper and other	-	15,369
	<u>\$ 43,436</u>	<u>\$ 105,526</u>

The amortized cost of short-term investments at December 31, 2023 is \$43,436 (March 31, 2023 – \$107,661).

8. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

	December 31, 2023	March 31, 2023
Accounts receivable, net	\$ 50,957	\$ 41,292
Indirect taxes receivable	6,798	11,544
Interest receivable	360	3,966
Other receivables	5,809	11,657
	<u>\$ 63,924</u>	<u>\$ 68,459</u>

Included in the accounts receivable, net balance at December 31, 2023 is an allowance for doubtful accounts of \$10,694 (March 31, 2023 – \$8,554).

9. INVENTORY

The components of inventory are as follows:

	December 31, 2023	March 31, 2023
Raw materials, packaging supplies and consumables	\$ 21,218	\$ 18,927
Work in progress	38,495	34,104
Finished goods	27,204	30,199
	<u>\$ 86,917</u>	<u>\$ 83,230</u>

In the three and nine months ended December 31, 2023, the Company recorded write-downs related to inventory in cost of goods sold of \$859 and \$8,362, respectively (three and nine months ended December 31, 2022 – \$6,454 and \$29,274, respectively).

10. PREPAID EXPENSES AND OTHER ASSETS

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

	December 31, 2023	March 31, 2023
Prepaid expenses	\$ 11,740	\$ 11,963
Deposits	2,202	1,522
Prepaid inventory	881	690
Other assets	8,759	10,115
	<u>\$ 23,582</u>	<u>\$ 24,290</u>

11. 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 23.

Entity	Instrument	Balance at March 31, 2023	Additions	Fair value changes	Foreign currency translation adjustments	Other	Balance at December 31, 2023
Acreage ¹	Fixed Shares option and Floating Shares agreement	\$ 55,382	\$ -	\$ (22,296)	\$ (86)	\$ -	\$ 33,000
TerrAscend Exchangeable Shares	Exchangeable shares	93,000	-	10,201	(2,201)	-	101,000
TerrAscend - December 2022	Warrants	26,000	-	2,702	(702)	-	28,000
TerrAscend	Option	1,600	-	138	(38)	-	1,700
Wana	Option	239,078	-	(111,783)	(3,755)	(4,968)	118,572
Jetty	Options	75,014	-	(27,243)	(1,089)	-	46,682
Acreage Hempco ¹	Debenture	29,262	-	(15,775)	(112)	(397)	12,978
Acreage Debt Option Premium	Option	35,479	-	1,470	(730)	-	36,219
Acreage Tax Receivable Agreement	Other	3,109	-	(2,399)	(61)	-	649
Other - at fair value through net income (loss)	Various	1,870	2,156	1,125	(27)	-	5,124
Other - classified as held for investment	Loan receivable	8,498	-	-	-	(98)	8,400
		<u>\$ 568,292</u>	<u>\$ 2,156</u>	<u>\$ (163,860)</u>	<u>\$ (8,801)</u>	<u>\$ (5,463)</u>	<u>\$ 392,324</u>

¹ See Note 28 for information regarding the Acreage Amended Arrangement and Acreage Hempco.

For information regarding the Reorganization, Reorganization Amendments and Additional Reorganization Amendments, 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.

12. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2023	March 31, 2023
Buildings and greenhouses	\$ 306,611	\$ 413,832
Production and warehouse equipment	70,990	76,760
Leasehold improvements	9,170	13,655
Office and lab equipment	10,976	13,636
Computer equipment	8,331	8,521
Land	5,325	16,781
Right-of-use-assets		
Buildings and greenhouses	33,126	35,167
Assets in process	591	3,229
	<u>445,120</u>	<u>581,581</u>
Less: Accumulated depreciation	<u>(104,641)</u>	<u>(110,310)</u>
	<u>\$ 340,479</u>	<u>\$ 471,271</u>

Depreciation expense included in cost of goods sold for the three and nine months ended December 31, 2023 is \$5,091 and \$19,589, respectively (three and nine months ended December 31, 2022 – \$11,611 and \$34,001, respectively). Depreciation expense included in selling, general and administrative expenses for the three and nine months ended December 31, 2023 is \$826 and \$2,896, respectively (three and nine months ended December 31, 2022 – \$1,509 and \$8,673, respectively).

13. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	December 31, 2023		March 31, 2023	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<u>Finite lived intangible assets</u>				
Intellectual property	\$ 82,378	\$ 40,603	\$ 98,383	\$ 56,333
Distribution channel	45,948	3,264	58,324	11,231
Operating licenses	24,472	16,793	24,400	19,012
Software and domain names	32,199	8,355	34,177	14,579
Brands	15,490	12,324	16,253	13,249
Amortizable intangibles in process	195	195	508	508
Total	<u>\$ 200,682</u>	<u>\$ 81,534</u>	<u>\$ 232,045</u>	<u>\$ 114,912</u>
<u>Indefinite lived intangible assets</u>				
Acquired brands		\$ 37,538		\$ 45,838
Total intangible assets		<u>\$ 119,072</u>		<u>\$ 160,750</u>

Amortization expense included in cost of goods sold for the three and nine months ended December 31, 2023 is \$13 and \$41, respectively (three and nine months ended December 31, 2022 – \$16 and \$45, respectively). Amortization expense included in selling, general and administrative expenses for the three and nine months ended December 31, 2023 is \$6,310 and \$19,355, respectively (three and nine months ended December 31, 2022 – \$6,172, and \$18,013, respectively).

14. GOODWILL

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

Balance, March 31, 2022	\$ 1,866,503
Disposal of consolidated entities	(227)
Impairment losses	(1,785,080)
Foreign currency translation adjustments	4,367
Balance, March 31, 2023	\$ 85,563
Foreign currency translation adjustments	(326)
Balance, December 31, 2023	<u>\$ 85,237</u>

The Company does not believe that an event occurred or circumstances changed during the nine months ended December 31, 2023 that would, more likely than not, reduce the fair value of the Storz & Bickel reporting unit below its carrying value. Therefore, the Company concluded that the quantitative goodwill impairment assessment was not required for the Storz & Bickel reporting unit at December 31, 2023. The carrying value of goodwill associated with the Storz & Bickel reporting unit was \$85,237 at December 31, 2023.

The Company is required to perform its next annual goodwill impairment analysis on March 31, 2024, 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.

15. OTHER ACCRUED EXPENSES AND LIABILITIES

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

	December 31, 2023	March 31, 2023
Employee compensation	\$ 17,147	\$ 27,322
Taxes and government fees	12,148	5,734
Professional fees	10,837	5,967
Other	9,643	14,720
	<u>\$ 49,775</u>	<u>\$ 53,743</u>

16. DEBT

The components of debt are as follows:

	Maturity Date	December 31, 2023	March 31, 2023
Unsecured senior notes at 4.25% interest with semi-annual interest payments	July 15, 2023		
Principal amount		\$ -	\$ 337,380
Accrued interest		-	3,148
Non-credit risk fair value adjustment		-	26,214
Credit risk fair value adjustment		-	(35,492)
		-	331,250
Supreme convertible debentures	September 10, 2025	30,461	31,503
Accretion debentures	September 10, 2025	7,650	8,780
Credit facility	March 18, 2026	487,108	840,058
Equity-settled convertible debentures	February 28, 2028	-	93,228
Promissory note	December 31, 2024	85,486	-
Other revolving debt facility, loan, and financings		1,369	2,062
		612,074	1,306,881
Less: current portion		(91,336)	(556,890)
Long-term portion		<u>\$ 520,738</u>	<u>\$ 749,991</u>

Credit Facility

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

24, 2022, the Company entered into agreements with certain of its lenders under the Credit Agreement pursuant to which the Company agreed to purchase in the aggregate US\$187,500 of principal indebtedness outstanding under the Credit Facility at a discounted price of US\$930 per US\$1,000 or US\$174,375 in the aggregate. The first payment, which was oversubscribed, in the amount of \$117,528 (US\$87,852) was made on November 10, 2022 to reduce the principal indebtedness under the Credit Facility by \$126,324 (US\$94,427). The second payment of \$116,847 (US\$87,213) was made on April 17, 2023 to reduce principal indebtedness under the Credit Agreement by \$125,606 (US\$93,750). Additionally, on October 24, 2022, the Company and certain of its lenders agreed to make certain amendments to the Credit Agreement which, among other things, resulted in: (i) a reduction to the minimum liquidity covenant to no less than US\$100,000 following completion of the second principal repurchase on April 17, 2023; (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.

On July 13, 2023, as part of the Company's balance sheet deleveraging initiatives, the Company entered into agreements with certain of its lenders under the Credit Agreement pursuant to which certain additional amendments were made to the Credit Agreement (the Credit Agreement, as amended as of July 13, 2023, is referred to herein as the "Amended Credit Agreement"). The Amended Credit Agreement required the Company to prepay or repurchase principal indebtedness under the Credit Facility in an amount equal to the US dollar equivalent of \$93,000 at a discounted price of US\$930 per US\$1,000 (the "July 2023 Paydown"). In addition, the Amended Credit Agreement requires the Company to apply certain net proceeds from asset sales to prepay or repurchase principal indebtedness under the Credit Facility and receive principal reductions at, in certain circumstances, a discounted price of US\$950 per US\$1,000. The Amended Credit Agreement also includes, among other things, amendments to the minimum liquidity covenant such that the US\$100,000 minimum liquidity covenant ceased to apply concurrently with the July 2023 Paydown. The Company made the July 2023 Paydown on July 21, 2023.

On each of August 11, 2023 and September 14, 2023, pursuant to the terms of the Amended Credit Agreement, the Company repurchased additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales (the "Second Quarter 2024 Paydowns"). The Second Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$73,313 (US\$54,491) for a cash payment of \$69,647 (US\$51,766).

On each of November 28, 2023 and December 27, 2023, pursuant to the terms of the Amended Credit Agreement, the Company repurchased and repaid, as applicable, additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales (the "Third Quarter 2024 Paydowns"). The Third Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$65,379 (US\$48,532) for a cash payment of \$63,167 (US\$46,902).

The Amended Credit Facility continues to mature on March 18, 2026 and through December 26, 2023, had an interest rate of LIBOR + 8.50%. After December 26, 2023, interest on amounts outstanding under the Amended Credit Facility is calculated at either the applicable prime rate plus 7.50% per annum, subject to a prime rate floor of 2.00%, or adjusted term SOFR plus 8.50% per annum, subject to an adjusted term SOFR floor of 1.00%. 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 the assets of the Company and its material wholly-owned Canadian and U.S. subsidiaries, including material real property. The Credit Agreement contains representations and warranties, and affirmative and negative covenants.

Unsecured Senior Notes

On June 20, 2018, the Company issued the Canopy Notes with an aggregate principal amount of \$600,000. The Canopy Notes bore 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 Canopy Notes matured on July 15, 2023. The Canopy Notes were subordinated in right of payment to any existing and future senior indebtedness. The Canopy Notes ranked senior in right of payment to any future subordinated borrowings. The Canopy Notes were effectively junior to any secured indebtedness and the Canopy Notes were structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries.

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

The Canopy Notes were initially recognized at fair value on the balance sheet and continued to be recorded at fair value until their repayment. All changes in fair value following initial recognition, excluding the impact of the change in fair value related to the Company's own credit risk, were recorded in other income (expense), net. The changes in fair value related to the Company's own credit risk were recorded through other comprehensive income (loss). During the three months ended June 30, 2023, the Company entered into privately negotiated exchange agreements (the "June 2023 Exchange Agreements") with certain holders of the Canopy Notes (the "Noteholders"), pursuant to which the Company acquired and cancelled an aggregate principal amount of Canopy Notes of \$12,500 in exchange for cash, including accrued and unpaid interest owing under such Canopy Notes, and the issuance of an aggregate 2,434,274 Canopy Growth common shares.

On July 13, 2023, the Company entered into privately negotiated redemption agreements (collectively, the "Redemption Agreements") with certain Noteholders of the Canopy Notes pursuant to which approximately \$193,000 aggregate principal amount of the outstanding Canopy Notes held by such Noteholders were redeemed by the Company (the "Redemption") for: (i) a cash payment in the aggregate amount of approximately \$101,000; (ii) the issuance of an aggregate of 9,043,092 Canopy Growth common shares; and (iii) the issuance of \$40,380 aggregate principal amount of unsecured non-interest bearing convertible debentures (the "Debentures"). Following the Redemption, the Company settled the remaining aggregate principal amount owing under the outstanding Canopy Notes in cash and, as of the maturity date, there were no Canopy Notes outstanding.

The Debentures were issued pursuant to a debenture indenture dated July 14, 2023 between the Company and Odyssey Trust Company, in its capacity as trustee. The Debentures were convertible into Canopy Growth common shares (the "Debenture Shares") at the option of the holder at any time or times following approval from the Company's shareholders for the issuance of all of the Debenture Shares in excess of the Nasdaq threshold of 19.99% and the TSX requirements of 25%, of the issued and outstanding Canopy Growth common shares in accordance with the applicable rules and regulations of the Nasdaq and the TSX (the "Shareholder Approval") until the maturity date of January 15, 2024, at a conversion price equal to \$5.50, subject to adjustment in certain events.

The Company obtained Shareholder Approval at its Annual General and Special Meeting of shareholders held on September 25, 2023. As of September 30, 2023, all conversions pursuant to the Debentures had been completed and the amount outstanding under the Debentures was \$nil.

The acquisition and cancellation of the Canopy Notes pursuant to the June 2023 Exchange Agreements, Redemption of the Canopy Notes and conversions of the Debentures each resulted in a release of accumulated other comprehensive income into other income (expense), net for the three and nine months ended December 31, 2023 of \$nil and \$2,373, respectively. The related tax impact of \$nil and \$13,433, respectively, for the three and nine months ended December 31, 2023, associated with the aggregate principal amount acquired and cancelled was also released from accumulated other comprehensive income into income tax expense. Refer to Note 21.

On April 13, 2023, the Company entered into an exchange agreement (the "April 2023 Exchange Agreement") with Greenstar in order to acquire and cancel \$100,000 aggregate principal amount of the Canopy Notes. Pursuant to the April 2023 Exchange Agreement, the Company agreed to acquire and cancel \$100,000 aggregate principal amount of the Canopy Notes held by Greenstar in exchange for: (i) a cash payment to Greenstar in the amount of the unpaid and accrued interest owing under the Canopy Notes held by Greenstar; and (ii) a promissory note (the "CBI Note") issuable to Greenstar in the aggregate amount of \$100,000 payable on December 31, 2024. The CBI Note bears interest at a rate of 4.25% per year, payable on maturity of the CBI Note. As a result, Greenstar no longer holds any Canopy Notes. At December 31, 2023, the estimated fair value of the CBI Note was \$85,486, measured using a discounted cash flow model. See Note 23 for additional details on how the fair value of the CBI Note is calculated on a recurring basis.

The overall change in fair value of the Canopy Notes during the three and nine months ended December 31, 2023 was a decrease of \$nil and \$331,250, respectively (three and nine months ended December 31, 2022 – an increase of \$4,427 and a decrease of \$238,403, respectively), which included contractual interest of \$nil and \$2,925, respectively (three and nine months ended December 31, 2022 – \$3,583 and \$13,370, respectively) and principal redemption of \$nil and \$337,380, respectively (three and nine months ended December 31, 2022 – \$nil and \$262,620, respectively). Upon redemption, the principal redeemed during the three and nine months ended December 31, 2023 had a fair value of \$nil and \$334,005, respectively (three and nine months ended December 31, 2022 – \$nil and \$225,369, respectively). Refer to Note 23 for additional details on how the fair value of the Canopy Notes were 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 \$2.85.

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 accreted 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. As of September 9, 2023, the principal amount of the Accretion Debentures was finalized as \$10,434. 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. During the three and nine months ended December 31, 2023 principal payments on Accretion Debentures totaled \$1,500 and \$2,000, respectively.

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 \$385.90 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 were 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.

Convertible Debentures

On February 21, 2023, the Company entered into a subscription agreement (the “Convertible Debenture Agreement”) with an institutional investor (the “Institutional Investor”) pursuant to which the Institutional Investor agreed to purchase up to US\$150,000 aggregate principal amount of senior unsecured convertible debentures (“Convertible Debentures”) in a registered direct offering. The Convertible Debentures were issued pursuant to the indenture dated February 21, 2023 (the “Indenture”) between the Company and Computershare Trust Company of Canada, as trustee. Pursuant to the Convertible Debenture Agreement, an initial \$135,160 (US\$100,000) aggregate principal amount of the Convertible Debentures was sold to the Institutional Investor on February 21, 2023. The conditions with respect to the remaining US\$50,000 aggregate principal amount of the Convertible Debentures were neither satisfied nor waived.

In the three months ended June 30, 2023, \$93,228 (US\$72,800) in aggregate principal amount of the Convertible Debentures were converted for 8,445,894 Canopy Growth common shares. As of June 30, 2023, all conversions pursuant to the Convertible Debentures were completed and the amount outstanding under the Convertible Debentures was \$nil.

17. OTHER LIABILITIES

The components of other liabilities are as follows:

	As at December 31, 2023			As at March 31, 2023		
	Current	Long-term	Total	Current	Long-term	Total
Lease liabilities	\$ 14,020	\$ 67,176	\$ 81,196	\$ 28,421	\$ 78,367	\$ 106,788
Acquisition consideration and other investment related liabilities	19,473	94	19,567	25,945	30,323	56,268
Refund liability	5,618	-	5,618	6,434	-	6,434
Settlement liabilities and other	15,286	5,735	21,021	32,950	13,733	46,683
	<u>\$ 54,397</u>	<u>\$ 73,005</u>	<u>\$ 127,402</u>	<u>\$ 93,750</u>	<u>\$ 122,423</u>	<u>\$ 216,173</u>

The estimated deferred payments associated with the Wana financial instrument (the "Wana Deferred Payments") within acquisition consideration and other investment related liabilities at December 31, 2023 is \$11,139 (March 31, 2023 – \$26,370). See Note 23 for additional details on how the fair value of the Wana Deferred Payments is calculated on a recurring basis.

18. REDEEMABLE NONCONTROLLING INTEREST

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

	BioSteel	Total
As at March 31, 2023	\$ -	\$ -
Net income (loss) attributable to redeemable noncontrolling interest	(18,526)	(18,526)
Adjustments to redemption amount	18,526	18,526
As at December 31, 2023	<u>\$ -</u>	<u>\$ -</u>

	Vert Mirabel	BioSteel (As Restated)	Total
As at March 31, 2022	\$ 1,000	\$ 31,500	\$ 32,500
Net income (loss) attributable to redeemable noncontrolling interest	508	(22,523)	(22,015)
Adjustments to redemption amount	(508)	2,699	2,191
Redemption of redeemable noncontrolling interest	-	(11,676)	(11,676)
As at December 31, 2022	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>

In August 2023, the Company issued 1,520,605 common shares relating to its acquisition of the Vert Mirabel redeemable noncontrolling interest which had closed in March 2023.

19. SHARE CAPITAL

CANOPY GROWTH

Authorized

An unlimited number of common shares.

(i) Equity financings

On September 18, 2023, the Company entered into subscription agreements (the "Subscription Agreements") with certain institutional investors (the "Investors"). Pursuant to the terms of the Subscription Agreements, the Company issued 2,292,947 units of the Company (the "Units") to the Investors at a price per Unit of US\$10.90 for aggregate gross proceeds of \$33,745 (US\$25,000) (the "Unit Offering"). Each Unit is comprised of one Canopy Growth common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one Canopy Growth common share at a price per share equal to US\$13.50 for a period of five years from the date of issuance. The Unit Offering closed on September 19, 2023. The Investors also held an over-allotment option to acquire up to an additional 2,292,947 Units at a price per Unit of US\$10.90 for aggregate gross proceeds of approximately US\$25,000 at the discretion of the Investors at any time on or before November 2, 2023 (the "Over-Allotment Option"). The Over-Allotment Option was not exercised by the Investors and expired on November 2, 2023.

The gross proceeds from the Unit Offering were allocated to the Canopy Growth common shares, Warrants, and Over-Allotment Option based on their relative fair values.

(ii) Other issuances of common shares

During the nine months ended December 31, 2023, 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 ¹	Share capital	Share based reserve
Settlement of Convertible Debentures	8,445,894	\$ 108,055	\$ -
Settlement of Canopy Notes	11,477,366	57,084	-
Settlement of Debentures	7,341,818	87,754	-
Other issuances and share issue costs	6,165	(317)	(80)
Total	<u>27,271,243</u>	<u>\$ 252,576</u>	<u>\$ (80)</u>

¹ Prior period share amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

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 ¹	Share capital	Share based reserve
Jetty Agreements	842,654	\$ 59,013	\$ -
HSCP Holders pursuant to Amended TRA	564,893	20,630	-
Completion of acquisition milestones	22,242	1,379	(1,379)
Other issuances	23,780	1,209	(353)
Total	<u>1,453,569</u>	<u>\$ 82,231</u>	<u>\$ (1,732)</u>

¹ Prior year share amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

(iii) Warrants

	Number of whole warrants ²	Average exercise price	Warrant value
Balance outstanding at March 31, 2023 ¹	12,819,305	\$ 580.40	\$ 2,581,788
Issuance of warrants from private placement	2,292,947	18.33	8,977
Expiry of warrants	(12,692,731)	583.62	-
Balance outstanding at December 31, 2023	<u>2,419,521</u>	<u>\$ 30.34</u>	<u>\$ 2,590,765</u>

¹ This balance excludes the Tranche C Warrants (as defined below), which represent a derivative liability and have nominal value. See Note 28.

² Prior period warrant amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

On November 1, 2023, the Tranche A Warrants (as defined below) expired in accordance with their terms without having been exercised. In accordance with the terms of the Tranche B Warrants (as defined below) and Tranche C Warrants, the vesting of the remaining Tranche B Warrants and Tranche C Warrants, as applicable, is conditioned on the exercise, in full, of the Tranche A Warrants. Accordingly, the Tranche B Warrants and Tranche C Warrants are not, and will not become, exercisable and are considered expired as of November 1, 2023.

	Number of whole warrants ²	Average exercise price	Warrant value
Balance outstanding at March 31, 2022 ¹	12,819,305	\$ 580.40	\$ 2,581,788
Expiry of warrants	-	-	-
Balance outstanding at December 31, 2022 ¹	<u>12,819,305</u>	<u>\$ 580.40</u>	<u>\$ 2,581,788</u>

¹ This balance excludes the Tranche C Warrants, which represent a derivative liability and have nominal value. See Note 28.

² Prior year warrant amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

20. SHARE-BASED COMPENSATION

CANOPY GROWTH CORPORATION SHARE-BASED COMPENSATION PLAN

On September 25, 2023, the Company's shareholders approved a new Omnibus Equity Incentive Plan (the "Omnibus Equity Incentive Plan") pursuant to which the Company can issue share-based long-term incentives. The Omnibus Equity Incentive Plan replaces the Company's previous equity incentive plan, which was originally approved by the Company's shareholders on July 30, 2018 (the "Previous Equity Incentive Plan"). The approval of the Omnibus Equity Incentive Plan and replacement of the Previous

Equity Incentive Plan are detailed in the Company's annual definitive proxy statement filed with the Securities and Exchange Commission on August 9, 2023.

All directors, employees and consultants of the Company are eligible to receive awards of common share purchase options ("Options"), restricted share units ("RSUs"), deferred share units or shares-based awards (collectively, the "Awards") under the Omnibus Equity Incentive Plan, subject to certain limitations. The Omnibus Equity Incentive Plan allows for a maximum term of each Option to be ten years from the date of grant and the maximum number of common shares available for issuance under the Omnibus Equity Incentive Plan remains at 10% of the issued and outstanding common shares from time to time, less the number of common shares issuable pursuant to other security-based compensation arrangements of the Company (including common shares reserved for issuance under the Previous Equity Incentive Plan).

The Omnibus Equity Incentive Plan was adopted on September 25, 2023. No further awards will be granted under the Previous Equity Incentive Plan and any new Awards will be issued by the Company pursuant to the terms of the Omnibus Equity Incentive Plan. However, outstanding and unvested awards granted under the Previous Equity Incentive Plan will continue to be governed in accordance with the terms of such plan.

The maximum number of common shares reserved for Awards is 8,293,196 at December 31, 2023. As of December 31, 2023, the only Awards issued have been Options, RSUs and performance share units ("PSUs") under the Previous Equity Incentive Plan, and Options and RSUs under the Omnibus Equity Incentive Plan.

The Omnibus Equity Incentive Plan is administered by the Corporate Governance, Compensation and Nominating Committee of the Board (the "CGC&N Committee") which establishes in its discretion, among other things, exercise prices, at not less than the Fair Market Value (as defined in the Omnibus Equity Incentive Plan) at the date of grant, vesting terms and expiry dates (set at up to ten years from issuance) for Awards, subject to the limits contained in the Omnibus Equity Incentive Plan.

Under the Company's Employee Share Purchase Plan (the "Purchase Plan") the aggregate number of common shares that may be issued is 60,000, and the maximum number of common shares which may be issued in any one fiscal year shall not exceed 30,000. For the three and nine months ended December 31, 2023, nil and 6,426 common shares were issued under the Purchase Plan (three and nine months ended December 31, 2022 – nil and 23,780). The Purchase Plan concluded in August 2023 as all of the common shares available have been purchased and the Company does not currently intend to reinstate the Purchase Plan at this time.

The following is a summary of the changes in the Options outstanding during the nine months ended December 31, 2023:

	Options issued ¹	Weighted average exercise price ¹
Balance outstanding at March 31, 2023	1,375,089	\$ 271.20
Options granted	2,438,257	6.22
Options exercised	(643)	0.60
Options forfeited	(782,151)	188.33
Balance outstanding at December 31, 2023	<u>3,030,552</u>	<u>\$ 80.00</u>

¹ Prior period options and exercise price amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

The following is a summary of the Options outstanding as at December 31, 2023:

Range of Exercise Prices ¹	Options Outstanding		Options Exercisable	
	Outstanding at December 31, 2023 ¹	Weighted Average Remaining Contractual Life (years)	Exercisable at December 31, 2023 ¹	Weighted Average Remaining Contractual Life (years)
\$0.60 - \$7.50	2,126,514	5.49	1,971	0.58
\$7.51 - \$56.10	284,535	4.61	98,291	4.55
\$56.11 - \$676.40	619,503	1.48	495,814	1.30
	<u>3,030,552</u>	<u>4.58</u>	<u>596,076</u>	<u>1.83</u>

¹ Prior period Options and exercise price amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

At December 31, 2023, the weighted average exercise price of the Options outstanding and Options exercisable was \$80.00 and \$321.19, respectively (March 31, 2023 – \$271.20 and \$372.80, respectively).

The Company recorded \$2,671 and \$7,637 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, 2023, respectively (three and nine months ended December 31, 2022 – \$1,790 and \$5,175, respectively). The share-based compensation expense for the nine months ended December 31, 2023, includes an amount related to 107,874 Options being provided in exchange for services which are subject to performance conditions (for the nine months ended December 31, 2022 – 107,874).

The Company uses the Black-Scholes option pricing model to establish the fair value of Options granted during the three months ended December 31, 2023 and 2022, on their measurement date by applying the following assumptions:

	December 31, 2023	December 31, 2022
Risk-free interest rate	3.95%	3.47%
Expected life of options (years)	3 - 5	3 - 5
Expected volatility	101.08%	82%
Expected forfeiture rate	21.45%	20%
Expected dividend yield	nil	nil
Black-Scholes value of each option ¹	\$5.33	\$33.40

¹ Prior year Option value has been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

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.

For the three and nine months ended December 31, 2023, the Company recorded \$1,022 and \$2,490, respectively in share-based compensation expense related to RSUs and PSUs (for the three and nine months ended December 31, 2022 – \$4,265 and \$15,718, respectively).

The following is a summary of the changes in the Company's RSUs and PSUs during the nine months ended December 31, 2023:

	Number of RSUs and PSUs ¹
Balance outstanding at March 31, 2023	258,322
RSUs and PSUs granted	1,539,859
RSUs and PSUs released	(115,968)
RSUs and PSUs cancelled and forfeited	(281,023)
Balance outstanding at December 31, 2023	<u>1,401,190</u>

¹ Prior period amounts for RSUs and PSUs (granted pursuant to the Previous Equity Incentive Plan) have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023. See Note 2 for details.

21. 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, 2023	(30,261)	16,401	(13,860)
Settlement of unsecured senior notes, net of deferred income tax	-	11,060	11,060
Other comprehensive (loss) income	575	(13,824)	(13,249)
As at December 31, 2023	<u>\$ (29,686)</u>	<u>\$ 13,637</u>	<u>\$ (16,049)</u>
	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 deferred income tax	-	(29,507)	(29,507)
Other comprehensive income	24,694	32,847	57,541
As at December 31, 2022	<u>\$ (32,774)</u>	<u>\$ 18,526</u>	<u>\$ (14,248)</u>

22. NONCONTROLLING INTERESTS

The net change in the noncontrolling interests is as follows:

	BioSteel	Other	Total
As at March 31, 2023	1,447	140	1,587
Comprehensive loss	(18,526)	-	(18,526)
Net loss attributable to redeemable noncontrolling interest	18,526	-	18,526
Share-based compensation	148	-	148
Ownership changes	(1,595)	(1)	(1,596)
As at December 31, 2023	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ 139</u>

	Vert Mirabel	BioSteel (As Restated)	Other non- material interests	Total
As at March 31, 2022	\$ -	\$ 2,497	\$ 1,844	\$ 4,341
Comprehensive income (loss)	508	(22,523)	(1,844)	(23,859)
Net (income) loss attributable to redeemable noncontrolling interest	(508)	22,523	-	22,015
Share-based compensation	-	495	-	495
Ownership changes	-	-	1,356	1,356
Redemption of redeemable noncontrolling interests, net	-	(1,552)	-	(1,552)
As at December 31, 2022	<u>\$ -</u>	<u>\$ 1,440</u>	<u>\$ 1,356</u>	<u>\$ 2,796</u>

23. 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 the Company's financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
December 31, 2023				
Assets:				
Short-term investments	\$ 43,436	\$ -	\$ -	\$ 43,436
Restricted short-term investments	7,275	-	-	7,275
Other financial assets	3,613	-	380,311	383,924
Liabilities:				
Long-term debt	-	-	85,486	85,486
Other liabilities	-	-	11,139	11,139
March 31, 2023				
Assets:				
Short-term investments	\$ 105,526	\$ -	\$ -	\$ 105,526
Restricted short-term investments	11,765	-	-	11,765
Other financial assets	269	-	559,525	559,794
Liabilities:				
Unsecured senior notes	-	331,250	-	331,250
Other liabilities	-	-	29,952	29,952

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
		Intrinsic value of Acreage	Increase or decrease in intrinsic value will result in an increase or decrease 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 Options	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 Options	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
CBI promissory note	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase 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
Acreage Debt Option Premium	Monte Carlo simulation model	Volatility of Acreage share price	Increase or decrease in volatility will result in a decrease or increase in fair value
Acreage Tax Receivable Agreement	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
	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
		Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value

24. REVENUE

Revenue is disaggregated as follows:

	Three months ended		Nine months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Canada cannabis				
Canadian adult-use cannabis				
Business-to-business ¹	\$ 23,386	\$ 21,522	\$ 71,591	\$ 73,379
Business-to-consumer	-	11,036	-	36,243
	23,386	32,558	71,591	109,622
Canadian medical cannabis ²	15,642	14,059	45,043	41,714
	\$ 39,028	\$ 46,617	\$ 116,634	\$ 151,336
Rest-of-world cannabis	\$ 10,527	\$ 5,846	\$ 29,666	\$ 30,179
Storz & Bickel	\$ 18,453	\$ 20,214	\$ 48,517	\$ 49,351
This Works	\$ 8,165	\$ 8,289	\$ 21,256	\$ 20,677
Other	2,332	3,884	8,285	13,475
Net revenue	\$ 78,505	\$ 84,850	\$ 224,358	\$ 265,018

¹Canadian adult-use business-to-business net revenue during the three and nine months ended December 31, 2023 reflects excise taxes of \$9,741 and \$31,596, respectively (three and nine months ended December 31, 2022 – \$10,797 and \$33,754, respectively).

²Canadian medical cannabis net revenue for the three and nine months ended December 31, 2023 reflects excise taxes of \$1,815 and \$4,827, respectively (three and nine months ended December 31, 2022 – \$1,339 and \$3,625, 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 \$1,430 and \$2,937 for the three and nine months ended December 31, 2023, respectively (three and nine months ended December 31, 2022 – \$5,684 and \$7,788, respectively). As of December 31, 2023, the liability for estimated returns and price adjustments was \$5,618 (March 31, 2023 – \$6,434).

25. OTHER INCOME (EXPENSE), NET

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

	Three months ended		Nine months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Fair value changes on other financial assets	\$ (146,672)	\$ (95,815)	\$ (163,860)	\$ (396,755)
Fair value changes on liability arising from Acreage Arrangement	-	-	-	47,000
Fair value changes on debt	(5,400)	(8,964)	(30,614)	(32,365)
Fair value changes on warrant derivative liability	-	23	-	26,252
Fair value changes on acquisition related contingent consideration and other	8,629	1,762	19,146	25,902
(Charges) and gain related to settlement of debt	(571)	8,912	(13,124)	4,224
Interest income	2,548	7,048	13,833	15,922
Interest expense	(24,623)	(33,286)	(84,223)	(90,658)
Foreign currency gain (loss)	(4,069)	814	529	1,857
Other income (expense), net	(879)	4,016	5,043	2,547
	\$ (171,037)	\$ (115,490)	\$ (253,270)	\$ (396,074)

26. 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, 2023.

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.

27. THIS WORKS DIVESTITURE

On December 18, 2023, the Company entered into an agreement to divest all of its interest in This Works to a London-based investment firm (the "This Works Divestiture"). The Company completed the This Works Divestiture on December 18, 2023, pursuant to which the Company received a cash payment of \$2,249 (£1,333) and a loan note of \$5,240 (£3,106) with a maturity date of December 18, 2027. The Company may receive an earnout payment of up to \$5,905 (£3,500), subject to certain financial targets.

Prior to closing of the This Works Divestiture, the net assets of This Works were recorded as held for sale and the Company recorded asset impairment and restructuring charges of \$28,144. Upon the completion of the This Works Divestiture, the Company no longer controls This Works and derecognized the assets and liabilities on the closing date:

Current assets ¹	\$	13,793
Intangible assets		16,828
Less: valuation allowance		(20,154)
Current liabilities		(6,661)
Cumulative translation adjustment		2,322
Net assets disposed	\$	<u>6,128</u>
Consideration received in cash	\$	2,249
Future cash consideration		7,286
Costs to sell		(3,407)
Total consideration	\$	<u>6,128</u>
Gain on disposal of consolidated entity	\$	<u>-</u>

¹ Included in current assets is \$5,968 of cash.

The gain calculated on the derecognition of the assets and liabilities of This Works 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.

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

Acreege Arrangement

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

regulation of such activities from the federal laws of the United States (the “Triggering Event”) 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 0.03048 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 and the Floating Share Arrangement Agreement, 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, 2023, the right and the obligation to: (i) acquire the Fixed Shares pursuant to the Existing Acreage Arrangement Agreement; and (ii) acquire the Floating Shares pursuant to the Floating Share Arrangement Agreement (together, the “Acreage financial instrument”), represents a financial asset of \$33,000 (March 31, 2023 – \$55,382 asset). At December 31, 2023, 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 25. The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 23 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 11), and the Company has elected the fair value option under ASC 825 (see Note 23). At December 31, 2023, the estimated fair value of the Hempco Debenture issued to an affiliate of the Company by Acreage Hempco was \$12,978 (March 31, 2023 –

\$29,262), measured using a discounted cash flow model (see Note 23). Refer to Note 11 for details on fair value changes, foreign currency translation adjustment, and anticipated interest to be 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 (the "Amended 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 8.85 million additional shares of Canopy Growth for a fixed price of \$504.00 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 were exercisable to acquire 3.85 million common shares at a price of C\$766.80 per common share; and
- the Tranche C Warrants were exercisable to acquire 1.28 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 agreed to 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) 2,737,886 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 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 were classified in equity as the number of shares and exercise price were both fixed at inception. The Tranche B Warrants were accounted for as derivative instruments (the "warrant derivative liability") measured at fair value in accordance with ASC 815.

On November 1, 2023, the Tranche A Warrants expired in accordance with their terms without having been exercised. In accordance with the terms of the Tranche B Warrants and Tranche C Warrants, the vesting of the remaining Tranche B Warrants and Tranche C Warrants, as applicable, is conditioned on the exercise, in full, of the Tranche A Warrants. Accordingly, the Tranche B Warrants and Tranche C Warrants are not, and will not become, exercisable and are considered expired as of November 1, 2023.

As described in Note 3, in connection with the Reorganization, the Company entered into the Third 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 13,974,545 common shares of the Company for cancellation for no consideration. In addition, following such conversion by CBG and Greenstar of their common shares into Exchangeable Shares, other than the Third Consent Agreement and the termination rights contained therein and the CBI Note (as defined below), all agreements between the Company and CBI will terminate, including the Amended Investor Rights Agreement. In such circumstances it is expected that the CBI nominees that are currently sitting on the Board will resign as directors of the Company following the termination of the Amended Investor Rights Agreement.

29. COMMITMENTS AND CONTINGENCIES

Legal proceedings

In the ordinary course of business, the Company is at times subject to various legal proceedings and disputes, including the proceedings specifically discussed below. The Company assesses the liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that the Company will incur a loss and the amount of the loss can be reasonably estimated, a liability is recorded in the consolidated financial statements. Where a loss is only reasonably possible or the amount of the loss cannot be reasonably estimated, no liability is recorded in the consolidated financial statements, but disclosures, as necessary, are provided.

For the purposes of these condensed interim consolidated financial statements, there have been no material changes with respect to legal proceedings that the Company is subject to since our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, except with respect to certain aspects of the legal proceedings disclosed below:

Request for arbitration

On December 29, 2023, a request for arbitration was made to the Company. Damages are being sought in the amount of US\$32,667 against the Company based on alleged breaches of a Share Purchase Agreement ("SPA"), including breaches of the duty of good faith and honest performance in relation to certain milestone payments in the SPA. The Company denies the allegations,

believes that the respondents have meritorious defenses, and expects to vigorously defend the claims, although the Company cannot predict when or how the arbitration will be resolved or estimate what the potential loss or range of loss would be, if any.

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 four reportable segments:

- **Canada cannabis** - includes the production, distribution and sale of a diverse range of cannabis, hemp and cannabis-related products in Canada pursuant to the *Cannabis Act*;
- **Rest-of-world cannabis** - includes the production, distribution and sale of a diverse range of cannabis and hemp products internationally pursuant to applicable international legislation, regulations and permits. Priority markets include medical cannabis markets in Australia, Germany, Poland and Czech Republic where the Company offers branded high-quality flower, oil and softgel extracts products under our recognized Spectrum Therapeutics brand (in Australia, Poland and Czech Republic) and more recently the Canopy Medical brand in Germany;
- **Storz & Bickel** - includes the production, distribution and sale of vaporizers and accessories; 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. On December 18, 2023, the Company completed the sale of This Works and as of such date, the results of This Works are no longer included in the Company's financial results.

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Segmented net revenue				
Canada cannabis	\$ 39,028	\$ 46,617	\$ 116,634	\$ 151,336
Rest-of-world cannabis	10,527	5,846	29,666	30,179
Storz & Bickel	18,453	20,214	48,517	49,351
This Works	8,165	8,289	21,256	20,677
Other	2,332	3,884	8,285	13,475
	<u>\$ 78,505</u>	<u>\$ 84,850</u>	<u>\$ 224,358</u>	<u>\$ 265,018</u>
Segmented gross margin:				
Canada cannabis	\$ 11,113	\$ (5,281)	\$ 24,739	\$ (25,467)
Rest-of-world cannabis	4,192	(2,184)	10,364	(3,676)
Storz & Bickel	9,449	9,186	21,074	20,809
This Works	4,253	4,032	10,534	8,982
Other	(781)	(525)	(1,297)	144
	<u>28,226</u>	<u>5,228</u>	<u>65,414</u>	<u>792</u>
Selling, general and administrative expenses	54,436	89,604	174,810	271,425
Share-based compensation	3,693	6,055	10,127	20,893
Loss on asset impairment and restructuring	30,413	22,259	2,452	1,794,212
Operating loss	(60,316)	(112,690)	(121,975)	(2,085,738)
Other income (expense), net	(171,037)	(115,490)	(253,270)	(396,074)
Loss before incomes taxes	<u>\$ (231,353)</u>	<u>\$ (228,180)</u>	<u>\$ (375,245)</u>	<u>\$ (2,481,812)</u>

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

Entity-wide disclosures

Disaggregation of net revenue by geographic area:

	Three months ended		Nine months ended	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Canada	\$ 41,024	\$ 50,333	\$ 123,724	\$ 163,002
Germany	13,460	12,772	35,287	36,383
United States	10,334	9,447	28,102	29,825
Other	13,687	12,298	37,245	35,808
	<u>\$ 78,505</u>	<u>\$ 84,850</u>	<u>\$ 224,358</u>	<u>\$ 265,018</u>

Disaggregation of property, plant and equipment by geographic area:

	December 31, 2023	March 31, 2023
	Canada	\$ 285,941
United States	3,561	58,226
Germany	50,951	51,341
Other	26	575
	<u>\$ 340,479</u>	<u>\$ 471,271</u>

For the three months ended December 31, 2023, one customer represented more than 10% of the Company's net revenue (three months ended December 31, 2022 – one).

For the nine months ended December 31, 2023, one customer represented more than 10% of the Company's net revenue (nine months ended December 31, 2022 – none).

31. SUBSEQUENT EVENTS

January 2024 Private Placement

On January 18, 2024, the Company entered into subscription agreements (the "January 2024 Subscription Agreements") with certain institutional investors (the "January 2024 Investors"). Pursuant to the terms of the January 2024 Subscription Agreements, the Company issued 8,158,510 units of the Company (the "January 2024 Units") to the January 2024 Investors at a price per January 2024 Unit of US\$4.29 for aggregate gross proceeds of approximately \$47,117 (US\$35,000) (the "January 2024 Unit Offering"). Each January 2024 Unit is comprised of (a) one Canopy Growth common share and (b)(i) one Series A common share purchase warrant (a "Series A Warrant") or (ii) one Series B common share purchase warrant (a "Series B Warrant" and, together with the Series A Warrants, the "January 2024 Warrants"). Each January 2024 Warrant entitles the holder to acquire one Canopy Growth common share from the Company at a price per share equal to US\$4.83. The Series A Warrants are currently exercisable and will remain exercisable until January 19, 2029, and the Series B Warrants will be exercisable for a period commencing on July 19, 2024 until July 19, 2029. The January 2024 Unit Offering closed on January 19, 2024.

Expiration of Supreme January 2021 Warrants

On January 29, 2024, the warrants governed by the warrant indenture dated January 29, 2021 between Supreme Cannabis and Computershare Trust Company of Canada, in its capacity as warrant agent (the "Warrant Agent"), as supplemented by the supplemental indenture dated June 22, 2021 between Supreme Cannabis, the Company and the Warrant Agent expired in accordance with their terms without having been exercised.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

This Management’s Discussion and Analysis (“MD&A”) should be read together with other information, including our unaudited condensed interim consolidated financial statements and the related notes to those statements included in Part I, Item 1 of this Quarterly Report (the “Interim Financial Statements”), our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended March 31, 2023 (the “Annual Report”), Part I, Item 1A, Risk Factors, of the Annual Report and Part II, Item 1A, Risk Factors, of this Quarterly Report. This MD&A provides additional information on our business, recent developments, financial condition, cash flows and results of operations, and is organized as follows:

- *Part 1 - Business Overview.* This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.
- *Part 2 - Results of Operations.* This section provides an analysis of our results of operations for the third quarter of fiscal 2024 in comparison to the third quarter of fiscal 2023, and for the nine months ended December 31, 2023 in comparison to the nine months ended December 31, 2022.
- *Part 3 - Financial Liquidity and Capital Resources.* This section provides an analysis of our cash flows and outstanding debt and commitments. Included in this analysis is a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments.

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

Special Note Regarding Forward-Looking Statements

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

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

- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. hemp (including cannabidiol “CBD”) products and the scope of any regulations by the U.S. Food and Drug Administration, the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Patent and Trademark Office, the U.S. Department of Agriculture (the “USDA”) and any state equivalent regulatory agencies over U.S. hemp (including CBD) products;
- expectations regarding the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;
- our ability to refinance debt as and when required on terms favorable to us and comply with covenants contained in our debt facilities and debt instruments;
- the Company’s ability to execute on its strategy to accelerate the Company’s entry into the U.S. cannabis market through the creation of Canopy USA, LLC (“Canopy USA”);
- expectations regarding the Company’s ability to deconsolidate the financial results of Canopy USA from the financial results of Canopy Growth upon Canopy USA’s acquisition of Wana (as defined below), Jetty (as defined below) and the Fixed Shares (as defined below) of Acreage;
- the timing and execution of the Second A&R LLC Agreement (as defined below);

- expectations regarding the potential success of, and the costs and benefits associated with the Reorganization Amendments (as defined below);
- expectations related to our announcement of certain restructuring actions and the potential success of, and the costs and benefits associated with the comprehensive steps and actions being undertaken by the Company with respect to its Canadian operations (the “Canadian Transformative Plan”) including any progress, challenges and effects related thereto as well as changes in strategy, metrics, investments, operating expenses, employee turnover and other changes with respect thereto;
- expectations to capitalize on the opportunity for growth in the United States cannabis sector and the anticipated benefits of such strategy;
- the timing and outcome of the Floating Share Arrangement (as defined below), the anticipated benefits of the Floating Share Arrangement, the anticipated timing of the acquisition of the Fixed Shares (as defined below) and the Floating Shares (as defined below) by Canopy USA, the satisfaction or waiver of the closing conditions set out in the Floating Share Arrangement Agreement (as defined below) and the Acreage Amended Arrangement (as defined below), including receipt of all regulatory approvals, and the anticipated timing and occurrence of the Company’s exercise of the option to acquire the Fixed Shares (the "Acreage Option") and closing of such transaction;
- the Acreage Amended Arrangement and the Floating Share Arrangement, including the occurrence or waiver (at our discretion) of the Triggering Event (as defined below), the anticipated timing and occurrence of the Company’s exercise of the Acreage Option and the satisfaction or waiver of the conditions to closing the acquisition of Acreage;
- expectations regarding the Option Premium (as defined below), including the ability to, and timing of, the exercise of such option;
- the Wana Amendments (as defined below), including the occurrence or waiver (at Canopy USA’s discretion) of the Triggering Event;
- the issuance of additional common shares of the Company to satisfy the payments to eligible participants to the existing tax receivable bonus plans of HSCP (as defined below), to satisfy any deferred and/or option exercise payments to the shareholders of Wana (as defined below) and Jetty (as defined below) and the issuance of additional Non-Voting Shares (as defined below) issuable to Canopy Growth from Canopy USA in consideration thereof;
- the satisfaction or waiver of the closing conditions set out in the Trust SPA (as defined below), the acquisition of the Canopy USA Common Shares (as defined below) and warrants of Canopy USA by the Trust (as defined below) in connection with the first tranche and second tranche closings in accordance with the Trust SPA, the anticipated timing and occurrence of the exercise of the options held by the Trust to acquire the Voting Shares (as defined in the Trust SPA) and the additional warrants of Canopy USA, as applicable, and closing of such transactions;
- the potential conversion of common shares of the Company held by the CBI Group (as defined below) to Exchangeable Shares (as defined below), including the termination of the Amended Investor Rights Agreement (as defined below);
- the anticipated timing and occurrence of the Meeting (as defined below) to approve the Amendment Proposal (as defined below);
- expectations regarding the laws and regulations and any amendments thereto relating to the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the USDA and relevant state regulatory authorities;
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, joint ventures, strategic alliances, equity investments and dispositions;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale cannabis-based products and U.S. hemp-derived consumer products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- our remediation plan and our ability to remediate the material weaknesses in our internal control over financial reporting;
- our ability to continue as a going concern;
- the anticipated benefits and impact of the investments in us (the "CBI Group Investments") from Constellation Brands, Inc. (“CBI”) and its affiliates (collectively, the “CBI Group”);
- the pre-emptive rights and/or top-up rights held by the CBI Group;
- expectations regarding the use of proceeds of equity financings;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;

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

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

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

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the forward-looking statements in this Quarterly Report and other reports we file with, or furnish to, the Securities and Exchange Commission (the “SEC”) and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, risks related to our ability to remediate the material weaknesses in our internal

control over financial reporting, or inability to otherwise maintain an effective system of internal control; the risk that our recent restatement could negatively affect investor confidence and raise reputation risks; our ability to continue as a going concern; our limited operating history; risks that we may be required to write down intangible assets, including goodwill, due to impairment; the diversion of management time on issues related to Canopy USA; the ability of parties to certain transactions to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court and shareholder approvals; the risks that the Trust's ownership interest in Canopy USA is currently not quantifiable and the Trust may have significant ownership and influence over Canopy USA upon completion of the Trust Transaction (as defined below); the risks relating to the conditions in the Floating Share Arrangement and the Acreage Amending Agreement (as defined below) not being satisfied or waived; the risks related to Acreage's financial statements expressing doubt about its ability to continue as a going concern; the risks related to the Company losing the Option Premium in the event Acreage cannot satisfy its debt obligations as they become due; the risks related to the fact that the Company has not received audited financial statements with respect to Jetty; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); volatility in and/or degradation of general economic, market, industry or business conditions; risks relating to our current and future operations in emerging markets; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; risks and uncertainty regarding future product development; changes in regulatory requirements in relation to our business and products; our reliance on licenses issued by and contractual arrangements with various federal, state and provincial governmental authorities; inherent uncertainty associated with projections; future levels of revenues and the impact of increasing levels of competition; third-party manufacturing risks; third-party transportation risks; inflation risks; our exposure to risks related to an agricultural business, including wholesale price volatility and variable product quality; changes in laws, regulations and guidelines and our compliance with such laws, regulations and guidelines; risks relating to inventory write downs; risks relating to our ability to refinance debt as and when required on terms favorable to us and to comply with covenants contained in our debt facilities and debt instruments; risks associated with jointly owned investments; our ability to manage disruptions in credit markets or changes to our credit ratings; the success or timing of completion of ongoing or anticipated capital or maintenance projects; risks related to the integration of acquired businesses; the timing and manner of the legalization of cannabis in the United States; business strategies, growth opportunities and expected investment; counterparty risks and liquidity risks that may impact our ability to obtain loans and other credit facilities on favorable terms; the potential effects of judicial, regulatory or other proceedings, litigation or threatened litigation or proceedings, or reviews or investigations, on our business, financial condition, results of operations and cash flows; risks associated with divestment and restructuring; the anticipated effects of actions of third parties such as competitors, activist investors or federal, state, provincial, territorial or local regulatory authorities, self-regulatory organizations, plaintiffs in litigation or persons threatening litigation; consumer demand for cannabis and U.S. hemp products; the risks that the Canadian Transformative Plan will not result in the expected cost-savings, efficiencies and other benefits or will result in greater than anticipated turnover in personnel; the implementation and effectiveness of key personnel changes; risks related to stock exchange restrictions; risks related to the protection and enforcement of our intellectual property rights; the risks related to the Exchangeable Shares having different rights from our common shares and there may never be a trading market for the Exchangeable Shares; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; risks relating to the long term macroeconomic effects of the COVID-19 pandemic and any future pandemic or epidemic; and the factors discussed under the heading "Risk Factors" in the Annual Report and in Item 1A of Part II of this Quarterly Report. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

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

Part 1 - Business Overview

We are a world-leading cannabis and consumer packaged goods ("CPG") company which produces, distributes, and sells a diverse range of cannabis, hemp, and CPG products. Cannabis products are principally sold for adult-use and medical purposes under a portfolio of distinct brands in Canada pursuant to the Cannabis Act, SC 2018, c 16 (the "Cannabis Act"), and globally pursuant to applicable international and Canadian legislation, regulations, and permits. Our core operations are in Canada, the United States, and

priority growth markets internationally, including Australia, Germany, Poland and Czech Republic. Our other product offerings, which are sold by our subsidiaries in jurisdictions where it is permissible to do so, include Storz & Bickel GmbH (“Storz & Bickel”) vaporizers and accessories.

We currently offer product varieties in dried cannabis flower, cannabis extracts and concentrates, cannabis beverages, cannabis gummies and cannabis vapes with product availability varying based on provincial and territorial regulations. In Canada, our adult-use cannabis products are predominantly sold to provincial and territorial agencies under a “business-to-business” wholesale model, with those provincial and territorial agencies then being responsible for the distribution of our products to brick-and-mortar stores and for online retail sales. In fiscal 2023, we completed the divestiture of our retail business across Canada, which included the retail stores operating under the Tweed and Tokyo Smoke banners under a “business-to-consumer” model.

Our Spectrum Therapeutics medical brand is a leader in medical cannabis. Spectrum Therapeutics produces and distributes a diverse portfolio of medical cannabis products to medical patients in Canada, and in several other countries where it is federally permissible to do so.

Subsequent to the passage of the 2018 Farm Bill in the United States, we currently offer a line of premium quality, hemp-derived wellness gummies, oils, softgels and topicals under the Martha Stewart CBD brand.

In June 2019, we implemented a plan of arrangement pursuant to an arrangement agreement (the “Original Acreage Arrangement Agreement”) with Acreage Holdings, Inc. (“Acreage”), a U.S. multi-state cannabis operator. In September 2020, we entered into a second amendment to the Original Acreage Arrangement Agreement (the “Acreage Amending Agreement”) and implemented an amended and restated plan of arrangement (the “Acreage Amended Arrangement”). Pursuant to the Acreage Amended Arrangement, following the occurrence or waiver (at our discretion) of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana or to remove the regulation of such activities from the federal laws of the United States (the “Triggering Event”) and subject to the satisfaction or waiver of the conditions set out in the Original Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement), we: (i) agreed to acquire approximately 70% of the issued and outstanding shares of Acreage, and (ii) obtained the right (the “Acreage Floating Option”) to acquire the other approximately 30% of the issued and outstanding shares of Acreage. In connection with the Floating Share Arrangement Agreement (as defined below), Canopy Growth has irrevocably waived the Acreage Floating Option existing under the Existing Acreage Arrangement Agreement (as defined below). The acquisition of Acreage, if completed through Canopy USA, will provide a pathway into cannabis markets in the United States; however, we and Acreage will continue to operate as independent companies until the acquisition of Acreage is completed.

On October 14, 2021, we entered into definitive option agreements (the “Wana Agreements”) with Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, “Wana”) providing us with the right, upon the occurrence or waiver (at our discretion) of the Triggering Event, to acquire 100% of the outstanding membership interests of Wana. Wana manufactures and sells gummies in the state of Colorado and licenses its intellectual property to partners, who manufacture, distribute, and sell Wana-branded gummies across the United States, including in California, Arizona, Illinois, Michigan and Florida, and across Canada. Additionally, on May 17, 2022, we and Lemurian, Inc. (“Jetty”) entered into definitive agreements (the “Jetty Agreements”) providing us with the right to acquire up to 100% of the outstanding equity interests in Jetty upon the Triggering Event. Jetty is a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology.

As described below under “Recent Developments”, on October 25, 2022, we announced the implementation of our internal reorganization pursuant to which, among other things, we formed Canopy USA, a new Delaware holding company (the “Reorganization”). Following the implementation of the Reorganization, as of October 24, 2022, Canopy USA holds certain U.S. cannabis investments that were 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, Wana, and Jetty.

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

Our licensed operational capacity in Canada includes advanced manufacturing capability for oil and softgel encapsulation and pre-rolled joints which is primarily completed at our Smiths Falls facility. Our Canadian cannabis cultivation facilities are now concentrated at our existing licensed facilities in Kincardine, Ontario and Kelowna, British Columbia. Our remaining products are manufactured through third-party sourcing and manufacturing for certain cannabis beverages, edibles, vapes and extracts.

Segment Reporting

Prior to the second quarter of fiscal 2023, we 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 fourth quarter of fiscal 2022, and which were aligned with our strategic review of our business, we have changed the structure of our internal management financial reporting. In addition, the commencement of the CCAA Proceedings resulted in the removal of one of our segments. We now report our financial results for the following four reportable segments:

- **Canada cannabis** - includes the production, distribution and sale of a diverse range of cannabis, hemp and cannabis-related products in Canada pursuant to the *Cannabis Act*;
- **Rest-of-world cannabis** - includes the production, distribution and sale of a diverse range of cannabis and hemp products internationally pursuant to applicable international legislation, regulations and permits. Priority markets include medical cannabis markets in Australia, Germany, Poland and Czech Republic where we offer branded high-quality flower, oil and softgel extracts products under our recognized Spectrum Therapeutics brand (in Australia, Poland and Czech Republic) and more recently the Canopy Medical brand in Germany;
- **Storz & Bickel** - includes the production, distribution and sale of vaporizers and accessories; 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. On December 18, 2023, the Company completed the sale of This Works and as of such date, the results of This Works are no longer included in the Company's financial results.

These segments reflect how our operations are managed, how our Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"), allocates resources and evaluates performance, and how our internal management financial reporting is structured. Our 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. The 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 our operations include revenue derived from, and cost of sales associated with, our non-cannabis extraction activities and other ancillary activities; these are included within "other."

Recent Developments

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 (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, including the issuance of the Fixed Shares to Canopy USA, to consummate the acquisitions of Acreage, Wana, and Jetty.

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

- **Wana** - The options to acquire 100% of the membership interests of Wana (the "Wana Options"), a leading cannabis edibles brand in North America.
- **Jetty** - The options to acquire 100% of the shares of Jetty (the "Jetty Options"), 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 0.03048 of a Canopy Growth common share 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 0.045 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 held 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 included: (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 (the “Debt Settlement Agreement”) with TerrAscend, TerrAscend Canada Inc. (“TerrAscend Canada”) and Arise Bioscience, Inc. (“Arise Bioscience”) 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: (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. 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 A&R Protection Agreement (as defined below).

Following the implementation of the Reorganization Canopy USA was determined to be a variable interest entity pursuant to ASC 810 - *Consolidations* (“ASC 810”) and prior to the completion of the Reorganization Amendments (as defined below), 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 consolidated the financial results of Canopy USA.

Amendments to Canopy USA Structure

Following the creation of Canopy USA, Nasdaq communicated its position to us stating that companies that consolidate “the assets and revenues generated from activities in violation under federal law cannot continue to list on Nasdaq”. Since we are committed to compliance with the listing requirements of the Nasdaq, we and Canopy USA effectuated certain changes to the initial structure of the Company’s interest in Canopy USA that were intended to facilitate the deconsolidation of the financial results of Canopy USA within our financial statements. These changes included, among other things, modifying the terms of the Protection Agreement between us, our wholly-owned subsidiary and Canopy USA as well as the terms of Canopy USA’s limited liability company agreement and amending the terms of certain agreements with third-party investors in Canopy USA to eliminate any rights to guaranteed returns (collectively, the “Reorganization Amendments”).

On May 19, 2023, Canopy Growth and Canopy USA implemented the Reorganization Amendments, which included, entering into the First A&R Protection Agreement (as defined below) and amending and restating Canopy USA’s limited liability company agreement (the “A&R LLC Agreement”) in order to: (i) eliminate certain negative covenants that were previously granted by Canopy USA in favor of Canopy Growth as well as delegating to the managers of the Canopy USA Board not appointed by Canopy Growth the authority to approve the following key decisions (collectively, the “Key Decisions”): (a) the annual business plan of Canopy USA; (b) decisions regarding the executive officers of Canopy USA and any of its subsidiaries; (c) increasing the compensation, bonus levels or other benefits payable to any current, former or future employees or managers of Canopy USA or any of its subsidiaries; (d) any other executive compensation plan matters of Canopy USA or any of its subsidiaries; and (e) the exercise of the Wana Options or the Jetty Options, which for greater certainty means that Canopy Growth’s nominee on the Canopy USA Board will not be permitted to vote on any Key Decisions while Canopy Growth owns Non-Voting Shares; (ii) reduce the number of managers on the Canopy USA Board from four to three, including, reducing Canopy Growth’s nomination right to a single manager; (iii) amend the share capital of Canopy USA to, among other things, (a) create a new class of Canopy USA Class B Shares, which may not be issued prior to the conversion of the Non-Voting Shares or the Canopy USA Common Shares into Canopy USA Class B Shares; (b) amend the terms of the Non-Voting Shares such that the Non-Voting Shares will be convertible into Canopy USA Class B Shares (as opposed to Canopy USA Common Shares); and (c) amend the terms of the Canopy USA Common Shares such that upon conversion of all of the Non-Voting Shares into Canopy USA Class B Shares, the Canopy USA Common Shares will, subject to their terms, automatically convert into Canopy USA Class B Shares, provided that the number of Canopy USA Class B Shares to be issued to the former holders of the Canopy USA Common Shares will be equal to no less than 10% of the total issued and outstanding Canopy USA Class B Shares following such issuance. Accordingly, as a result of the Reorganization Amendments, in no circumstances will Canopy Growth, at the time of such conversions, own more than 90% of the Canopy USA Class B Shares.

In connection with the Reorganization Amendments, on May 19, 2023, Canopy USA and Huneus 2017 Irrevocable Trust (the “Trust”) entered into a share purchase agreement (the “Trust SPA”), which sets out the terms of the Trust’s investment in Canopy USA in the aggregate amount of up to US\$20 million (the “Trust Transaction”). Agustin Huneus, Jr. is the trustee of the Trust and is an affiliate of a shareholder of Jetty. Pursuant to the terms of the Trust SPA, the Trust will, subject to certain terms and conditions

contained in the Trust SPA be issued Canopy USA Common Shares in two tranches with an aggregate value of up to US\$10 million along with warrants of Canopy USA to acquire additional Canopy USA Common Shares. In addition, subject to the terms of the Trust SPA, the Trust has also been granted options to acquire additional Voting Shares (as defined in the A&R LLC Agreement) with a value of up to an additional US\$10 million and one such additional option includes the issuance of additional warrants of Canopy USA.

In addition, subject to the terms and conditions of the A&R 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 Canopy Growth common shares issued in the future to the shareholders of Wana and Jetty.

On November 3, 2023, we received a letter from the staff of the SEC (the "Staff") in which the Staff indicated that, despite the Reorganization Amendments, it would object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP once Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage. We subsequently had discussions with the Office of Chief Accountant of the SEC (the "OCA") and determined to make certain additional amendments to the structure of Canopy USA (the "Additional Reorganization Amendments") to facilitate the deconsolidation of Canopy USA from the financial results of Canopy Growth in accordance with U.S. GAAP upon Canopy USA's acquisition of Wana, Jetty or Acreage. In that regard, we filed a revised preliminary proxy statement with the SEC on each of January 25, 2024 and February 5, 2024 in connection with the Amendment Proposal (as defined below) that discloses these Additional Reorganization Amendments. In connection with the Additional Reorganization Amendments, Canopy USA and its members expect to enter into a second amended and restated limited liability company agreement (the "Second A&R LLC Agreement") immediately prior to the completion of the first tranche closing of the Trust Transaction. Upon the effective date of the Second A&R LLC Agreement, the terms of the Non-Voting Shares will be amended such that the Non-Voting Shares will only be convertible into Canopy USA Class B Shares following the date that the NASDAQ Stock Market or The New York Stock Exchange permit the listing of companies that consolidate the financial statements of companies that cultivate, distribute or possess marijuana (as defined in 21 U.S.C 802) in the United States (the "Triggering Event Date"). Based on our discussions with the OCA, upon effectuating the Additional Reorganization Amendments, we believe that the Staff would not object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP once Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage.

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. Following the Reorganization Amendments, the Non-Voting Shares are convertible into Class B shares of Canopy USA (the "Canopy USA Class B Shares"), provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the Triggering Event Date. Canopy Growth also has the right (regardless of the fact that its Non-Voting Shares are non-voting and non-participating) to appoint one member to the Canopy USA board of managers (the "Canopy USA Board").

As of December 31, 2023, a third party investor owned all of the issued and outstanding Class A shares of Canopy USA (the "Canopy USA Common Shares") and a wholly-owned subsidiary of Canopy Growth holds Non-Voting Shares in the capital of Canopy USA, representing approximately more than 99% of the issued and outstanding shares in Canopy USA on an as-converted basis.

On October 24, 2022, Canopy USA and Canopy Growth also entered into an agreement with, among others, Nancy Whiteman, the controlling shareholder of Wana, which was amended and restated on May 19, 2023, whereby subsidiaries of Canopy USA agreed to pay additional consideration in order to acquire the Wana Options and the future payments owed in connection with the exercise of the Wana Options 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 the later of: (i) the date that the Wana Options are exercised; and (ii) the closing date of the first tranche of the Trust Transaction (the "Wana Valuation Date") less any net debt of Wana as of the Wana Valuation Date plus any net cash of Wana as of Wana Valuation Date. 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 Canopy Growth 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, on the later of: (i) the date of exercise of the Wana Options and (ii) the date that CBG and Greenstar, indirect, wholly-owned subsidiaries of CBI, have converted their Canopy Growth common shares into Exchangeable Shares. 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) December 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 exercisable at any time after the 36 month anniversary of the closing of the transaction contemplated by the Wana Amending Agreement (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 fair market value as determined by an appraiser. As part of this agreement, Canopy USA has granted Ms. Whiteman the right to appoint one member to the Canopy USA Board 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 in accordance with their terms, provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the Triggering Event Date, but does not provide Canopy Growth with the ability to direct the business, operations or activities of Canopy USA. The Protection Agreement was amended and restated in connection with: (a) the Reorganization Amendments (the "First A&R Protection Agreement"); and (b) the Additional Reorganization Amendments (the "Second A&R Protection Agreement" and together with the First A&R Protection Agreement, the "A&R Protection Agreement").

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 Canopy Growth that shareholders of Acreage will receive in accordance with the terms of the Existing Acreage Arrangement Agreement and the Floating Share Arrangement Agreement.

Until such time as Canopy Growth converts the Non-Voting Shares into Canopy USA Class B Shares following the Triggering Event Date, 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, as amended (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 under the *Business Corporations Act* (British Columbia) (the "Floating Share Arrangement") in exchange for 0.045 of a Company common share for each Floating Share held. In connection with the Floating Share Arrangement Agreement, Canopy Growth has irrevocably waived the Acreage Floating Option existing under the Existing Acreage Arrangement Agreement.

On October 24, 2022, Canopy Growth and Canopy USA entered into a third amendment to 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, Canopy Growth, on behalf of Canopy USA, agreed to issue Canopy Growth common shares with a value of US\$30.4 million 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, Canopy Growth issued: (i) 564,893 common shares with a value of \$20.6 million (US\$15.2 million) to certain Holders on November 4, 2022 as the first installment under the Amended TRA; and (ii) 710,208 common shares with a value of \$20.6 million (US\$15.2 million) to certain Holders on March 17, 2023, as the second installment under the Amended TRA. Canopy Growth, on behalf of Canopy USA, also agreed to issue Canopy Growth common shares with a value of approximately US\$19.6 million 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.

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 and applicable regulatory approvals including, but not limited to, TSX approval and the satisfaction of certain other closing conditions customary in transactions of this nature. The Floating Share Arrangement received the requisite approval from the holders

of Floating Shares at the special meeting of Acreage shareholders held on March 15, 2023 and on March 20, 2023 Acreage obtained a final order from the Supreme Court of British Columbia approving the Floating Share Arrangement. The Floating Share Arrangement Agreement has been amended several times to extend the Exercise Outside Date (as defined in the Floating Share Arrangement Agreement), which was initially March 31, 2023. The most recent amendment to the Floating Share Arrangement Agreement extended the Exercise Outside Date to March 31, 2024. The completion of the Floating Share Arrangement is subject to satisfaction or, if permitted, waiver of certain closing conditions, including, among others, approval of the Amendment Proposal on or prior to the Exercise Outside Date.

It is intended that Canopy Growth's existing option to acquire the Fixed Shares on the basis of 0.03048 of a Canopy Growth 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 Acreage 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 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.

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\$150.0 million (the "Acreage Debt") from the Lenders in exchange for an option premium payment of \$38.0 million (US\$28.5 million) (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.

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 Canopy Growth'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, indirect, wholly-owned subsidiaries of CBI, entered into a voting and support agreement (the "Voting and Support Agreement") with Canopy Growth. 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 Options and the Jetty Options. In the event the Amendment Proposal is not approved, Canopy USA will not be permitted to exercise its rights to acquire shares of Wana or Jetty, and the Floating Share Arrangement Agreement will be terminated. In such circumstances, Canopy Growth will retain the Acreage Option under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold the Wana Options and the Jetty Options, as well as the TerrAscend Exchangeable Shares and other securities in the capital of TerrAscend. In addition, Canopy Growth 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.

Relationship with CBI

In connection with the Reorganization, CBI has indicated its current intention to convert all of its Canopy Growth common shares 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 "Third 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 Third Consent Agreement and the termination rights contained therein and the 4.25% unsecured senior notes due in 2023 (the "Canopy 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 Third 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 13,974,545 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 Third Consent Agreement and following the Reorganization Amendments, Canopy Growth is contractually required to convert its Non-Voting Shares into Canopy USA Class B Shares, provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the Triggering Event Date, 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 sixty days after the Meeting (the "Termination Date"). The Third 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 from Canopy Growth or exercise its rights under the Wana Options or Jetty Options and the Floating Share Arrangement Agreement will be terminated. In such circumstances, Canopy Growth will retain the Acreage Option under the Existing Acreage Arrangement Agreement and Canopy USA will continue to hold the Wana Options and the Jetty Options, as well as the TerrAscend Exchangeable Shares and other securities in the capital of TerrAscend. If CBI does not convert its Canopy Growth common shares into Exchangeable Shares, Canopy Growth is also contractually required to cause Canopy USA to exercise its repurchase right to acquire the Canopy USA Common Shares held by the third party investors.

Refinancing of \$100.0 Million of Canopy Notes Due in July 2023

On April 13, 2023, we entered into an exchange agreement (the "April 2023 Exchange Agreement") with Greenstar in order to acquire and cancel \$100.0 million aggregate principal amount of our outstanding Canopy Notes. Pursuant to the April 2023 Exchange Agreement, we agreed to acquire and cancel \$100.0 million aggregate principal amount of the Canopy Notes held by Greenstar in exchange for: (i) a cash payment to Greenstar in the amount of the unpaid and accrued interest owing under the Canopy Notes held by Greenstar; and (ii) a promissory note of \$100.0 million maturing December 31, 2024 bearing interest at a rate of 4.25% per annum, payable in cash on maturity (the "CBI Note"). As a result, Greenstar no longer holds any Canopy Notes.

Agreements with Indiva

On May 30, 2023, we entered into a license assignment and assumption agreement with Indiva Limited ("Indiva") and its subsidiary, Indiva Inc. (the "Indiva License Agreement"), allowing us to assume the exclusive rights and interests to manufacture, distribute, and sell Wana branded products in Canada. Simultaneously, we and Indiva also entered into a contract manufacturing agreement, under which we will grant Indiva the exclusive right to manufacture and supply Wana branded products in Canada for five years, with the ability to renew for an additional five-year term upon mutual agreement of the parties.

We also subscribed for 37.2 million common shares of Indiva for an aggregate purchase price of \$2.2 million. In addition, we paid Indiva \$0.5 million in cash on May 30, 2023, and agreed to pay Indiva an additional \$1.3 million on May 30, 2024 provided that the parties are complying with the terms of the Indiva License Agreement (collectively, the "Indiva Investment").

Equitization of \$12.5 Million of Canopy Notes Due in July 2023

On June 29, 2023, we entered into privately negotiated exchange agreements (the "June 2023 Exchange Agreements") with certain holders (the "Noteholders") of the Canopy Notes to acquire and cancel \$12.5 million aggregate principal amount of the Canopy Notes from the Noteholders in exchange for cash, including accrued and unpaid interest owing under the Canopy Notes, and the issuance of approximately 2.43 million Canopy Growth common shares (the "June 2023 Exchange Transaction").

Conversion of US\$100.0 Million Convertible Debentures

On February 21, 2023, we entered into a subscription agreement (the “Convertible Debenture Agreement”) with an institutional investor (the “Institutional Investor”) pursuant to which the Institutional Investor agreed to purchase up to US\$150.0 million aggregate principal amount of senior unsecured convertible debentures (“Convertible Debentures”) in a registered direct offering. The Convertible Debentures were issued under the indenture dated February 21, 2023 between us and Computershare Trust Company of Canada, in its capacity as trustee. Pursuant to the Convertible Debenture Agreement, an initial \$135.2 million (US\$100.0 million) aggregate principal amount of the Convertible Debentures were sold to the Institutional Investor on February 21, 2023. The conditions with respect to the remaining US\$50 million aggregate principal amount of the Convertible Debentures were neither satisfied nor waived. The Convertible Debentures were convertible into our common shares at the option of the Institutional Investor at any time or times prior to the maturity date of February 28, 2028, at a conversion price equal to 92.5% of the volume-weighted average price of our common shares during the three consecutive trading days ending on the business day immediately prior to the date of conversion. No cash payment or any other property of Canopy Growth was made by us to the Institutional Investor in connection with, or as a result of, the issuance, conversion or repayment of the Convertible Debentures.

As of June 30, 2023, all conversions pursuant to the Convertible Debentures were completed and the amount outstanding under the Convertible Debentures was \$nil.

Maturity of Canopy Notes Due in July 2023

On July 13, 2023, we entered into privately negotiated redemption agreements (collectively, the “Redemption Agreements”) with certain Noteholders of our Canopy Notes, pursuant to which approximately \$193 million aggregate principal amount of the outstanding Canopy Notes held by such Noteholders were redeemed (the “Redemption”) on the applicable closing date for: (i) an aggregate cash payment of approximately \$101 million; (ii) the issuance of 9.04 million Canopy Growth common shares; and (iii) the issuance of approximately \$40.4 million aggregate principal amount of newly issued unsecured non-interest bearing convertible debentures (the “Debentures”). Following the Redemption, we settled the remaining aggregate principal amount owing under the outstanding Canopy Notes and, as of the maturity date, there were no Canopy Notes outstanding.

The Debentures were issued pursuant to a debenture indenture dated July 14, 2023 between us and Odyssey Trust Company, in its capacity as trustee. The Debentures were convertible into Canopy Growth common shares (the “Debenture Shares”) at the option of the holder at any time or times following approval from our shareholders for the issuance of all the Debenture Shares in excess of the Nasdaq threshold of 19.99% and the TSX requirements of 25% of the issued and outstanding Canopy Growth common shares in accordance with the applicable rules and regulations of Nasdaq and the TSX (the “Shareholder Approval”) until the maturity date of January 15, 2024, at a conversion price equal to \$5.50, subject to adjustment in certain events.

We obtained Shareholder Approval, at our Annual General and Special Meeting of shareholders held on September 25, 2023. As of September 30, 2023, all conversions pursuant to the Debentures have been completed and the amount outstanding under the Debentures was \$nil.

Balance Sheet Deleveraging Initiatives

On October 24, 2022, we entered into agreements with certain of our lenders under the term loan credit agreement dated March 18, 2021 (the “Credit Agreement”) pursuant to which we agreed to purchase in the aggregate US\$187.5 million of the principal indebtedness outstanding under the Credit Facility at a discounted price of US\$930 per US\$1,000 or US\$174.4 million in the aggregate. The first payment, which was oversubscribed, in the amount of \$117.5 million (US\$87.9 million) was made on November 10, 2022 to reduce the principal indebtedness under the Credit Facility by approximately \$126.3 million (US\$94.4 million). The second payment of \$116.8 million (US\$87.2 million) was made on April 17, 2023 to reduce principal indebtedness under the Credit Facility by \$125.6 million (US\$93.8 million). Additionally, on October 24, 2022 we and certain of our lenders agreed to make certain amendments to the Credit Agreement which, among other things, resulted in: (i) a reduction to the minimum liquidity covenant to no less than US\$100.0 million following completion of the second principal repurchase on April 17, 2023; (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\$100.0 million; and (iv) the elimination of the additional US\$500.0 million incremental term loan facility.

On July 13, 2023, we entered into agreements with certain of our lenders under the Credit Agreement pursuant to which certain additional amendments were made to the Credit Agreement (collectively, the Credit Agreement, as amended as of July 13, 2023, is referred to herein as the “Amended Credit Agreement”). The Amended Credit Agreement required us to prepay or repurchase principal indebtedness under the Credit Facility in an amount equal to the US dollar equivalent of \$93.0 million at a discounted price of US\$930 per US\$1,000 (the “July 2023 Paydown”). In addition, the Amended Credit Agreement requires us to apply certain net

proceeds from asset sales to prepay or repurchase principal indebtedness under the Credit Facility and receive principal reductions at, in certain circumstances, a discounted price of US\$950 per US\$1,000. The Amended Credit Agreement also includes, among other things, amendments to the minimum liquidity covenant such that the US\$100.0 million minimum ceased to apply concurrently with the July 2023 Paydown. The July 2023 Paydown was made on July 21, 2023.

On each of August 11, 2023 and September 14, 2023, pursuant to the terms of the Amended Credit Agreement, we repurchased additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales (the "Second Quarter 2024 Paydowns"). The Second Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$73.3 million (US\$54.5 million) for a cash payment of \$69.6 million (US\$51.8 million).

On each of November 28, 2023 and December 27, 2023, pursuant to the terms of the Amended Credit Agreement, we repurchased and repaid, as applicable, additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales (the "Third Quarter 2024 Paydowns"). The Third Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$65.4 million (US\$48.5 million) for a cash payment of \$63.2 million (US\$46.9 million).

September 2023 Private Placement – Unit Offering

On September 18, 2023, we entered into subscription agreements (the "Subscription Agreements") with certain institutional investors (the "Investors"). Pursuant to the terms of the Subscription Agreements, we issued 2,292,947 units of the Company (the "Units") to the Investors at a price per Unit of US\$10.90 for aggregate gross proceeds of approximately \$33.7 million (US\$25.0 million) (the "Unit Offering"). Each Unit is comprised of one Canopy Growth common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one Canopy Growth common share at a price per share equal to US\$13.50 for a period of five years from the date of issuance. The Unit Offering closed on September 19, 2023. The Investors also held an over-allotment option to acquire up to an additional 2,292,947 Units at a price per Unit of US\$10.90 for aggregate gross proceeds of approximately US\$25.0 million at the discretion of the Investors at any time on or before November 2, 2023 (the "Over-Allotment Option"). The Over-Allotment Option was not exercised by the Investors and expired on November 2, 2023.

January 2024 Private Placement – Unit Offering

On January 18, 2024, we entered into subscription agreements (the "January 2024 Subscription Agreements") with certain institutional investors (the "January 2024 Investors"). Pursuant to the terms of the January 2024 Subscription Agreements, we issued 8,158,510 units of the Company (the "January 2024 Units") to the January 2024 Investors at a price per January 2024 Unit of US\$4.29 for aggregate gross proceeds of approximately \$47.1 million (US\$35.0 million) (the "January 2024 Unit Offering"). Each January 2024 Unit is comprised of (a) one Canopy Growth common share and (b)(i) one Series A common share purchase warrant (a "Series A Warrant") or (ii) one Series B common share purchase warrant (a "Series B Warrant" and, together with the Series A Warrants, the "January 2024 Warrants"). Each January 2024 Warrant entitles the holder to acquire one Canopy Growth common share from the Company at a price per share equal to US\$4.83. The Series A Warrants are currently exercisable and will remain exercisable until January 19, 2029, and the Series B Warrants will be exercisable for a period commencing on July 19, 2024 until July 19, 2029. The January 2024 Unit Offering closed on January 19, 2024.

Share Consolidation

On December 13, 2023, the Company announced that the Board had approved the consolidation of the Company's issued and outstanding common shares on the basis of one post-consolidation common share for every 10 pre-consolidation common shares (the "Share Consolidation"). The Share Consolidation was implemented to ensure that the Company continues to comply with the listing requirements of the Nasdaq Global Select Market.

The Share Consolidation was approved by the Company's shareholders at the annual general and special meeting of shareholders held on September 25, 2023. The Share Consolidation became effective on December 15, 2023. No fractional common shares were issued in connection with the Share Consolidation. Any fractional common shares arising from the Share Consolidation were deemed to have been tendered by its registered owner to the Company for cancellation for no consideration. In addition, the exercise or conversion price and/or the number of common shares issuable under any of the Company's outstanding convertible securities, were proportionately adjusted in connection with the Share Consolidation.

All issued and outstanding common shares, per share amounts, and outstanding equity instruments and awards exercisable into common shares, as well as the exchange ratios for the Fixed Shares and the Floating Shares under the Acreage Amending Agreement and the Floating Share Arrangement Agreement, respectively, contained in the condensed interim consolidated financial statements of the Company and notes thereto have been retroactively adjusted to reflect the Share Consolidation for all prior periods presented.

Divestiture of This Works

On December 18, 2023, the Company entered into an agreement to divest all of its interest in This Works to a London-based investment firm (the "This Works Divestiture"). The Company completed the This Works Divestiture on December 18, 2023, pursuant to which the Company received a cash payment of \$2,249 (£1,333) and a loan note of \$5,240 (£3,106) with a maturity date of December 18, 2027. The Company will also be entitled to an earnout payment of up to \$5,905 (£3,500), subject to certain financial targets.

Part 2 - Results of Operations

The results of operations presented below reports the financial performance of the continuing operations of Canopy Growth in the three and nine month periods ending December 31, 2023. Further to Note 4 in the Company's accompanying financial statements, the BioSteel segment results for all periods prior to the September 14, 2023 and November 16, 2023, being the effective dates of deconsolidation as a result of the CCAA Proceedings, are classified as discontinued operations and therefore are excluded from continuing operations.

Discussion of Third Quarter of Fiscal 2024 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Three months ended December 31,			
	2023	2022	\$ Change	% Change
Selected consolidated financial information:				
Net revenue	\$ 78,505	\$ 84,850	\$ (6,345)	(7%)
Gross margin percentage	36%	6%	-	3,000 bps
Net loss from continuing operations	\$ (230,276)	\$ (226,844)	\$ (3,432)	(2%)
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (230,276)	\$ (226,302)	\$ (3,974)	(2%)
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (2.78)	\$ (4.66)	\$ 1.88	40%

¹ For the three months ended December 31, 2023, the weighted average number of outstanding common shares, basic and diluted, totaled 82,919,190 (three months ended December 31, 2022 - 48,611,260).

² Prior year share and per share amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023.

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the three months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,			
	2023	2022	\$ Change	% Change
Net Revenue				
Canada cannabis				
Canadian adult-use cannabis				
Business-to-business ¹	\$ 23,386	\$ 21,522	\$ 1,864	9%
Business-to-consumer	-	11,036	(11,036)	(100%)
	23,386	32,558	(9,172)	(28%)
Canadian medical cannabis ²	15,642	14,059	1,583	11%
	\$ 39,028	\$ 46,617	\$ (7,589)	(16%)
Rest-of-world cannabis ³	\$ 10,527	\$ 5,846	\$ 4,681	80%
Storz & Bickel	\$ 18,453	\$ 20,214	\$ (1,761)	(9%)
This Works	\$ 8,165	\$ 8,289	\$ (124)	(1%)
Other	2,332	3,884	(1,552)	(40%)
Net revenue	\$ 78,505	\$ 84,850	\$ (6,345)	(7%)

¹ Reflects excise taxes of \$9,741 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$1,113 for the three months ended December 31, 2023 (three months ended December 31, 2022 - excise taxes of \$10,797 and other revenue adjustments of \$2,000).

² Reflects excise taxes of \$1,815 for the three months ended December 31, 2023 (three months ended December 31, 2022 - \$1,339).

³ Reflects other revenue adjustments of \$317 for the three months ended December 31, 2023 (three months ended December 31, 2022 - \$3,684).

Net revenue was \$78.5 million in the third quarter of fiscal 2024, a decrease of \$6.3 million as compared to \$84.9 million in the third quarter of fiscal 2023.

Canada cannabis

Net revenue from our Canada cannabis segment was \$39.0 million in the third quarter of fiscal 2024, as compared to \$46.6 million in the third quarter of fiscal 2023.

Canadian adult-use cannabis net revenue was \$23.4 million in the third quarter of fiscal 2024, as compared to \$32.6 million in the third quarter of fiscal 2023.

- Net revenue from the business-to-business channel was \$23.4 million in the third quarter of fiscal 2024, as compared to \$21.5 million in the third quarter of fiscal 2023. The year-over-year increase is primarily attributable to the growth in the large format products of Tweed flower as well as the addition of the Wana brand gummies to the portfolio.
- Revenue from the adult-use business-to-consumer channel was \$nil in the third quarter of fiscal 2024, as compared to \$11.0 million in the third quarter of fiscal 2023. The year-over-year decrease is attributable to the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Canadian medical cannabis net revenue was \$15.6 million in the third quarter of fiscal 2024, as compared to \$14.1 million in the third quarter of fiscal 2023. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to a shift in our customer mix, and a larger assortment of cannabis product choices offered to our customers.

Rest-of-world cannabis

Rest-of-world cannabis revenue was \$10.5 million in the third quarter of fiscal 2024, as compared to \$5.8 million in the third quarter of fiscal 2023. The year-over-year increase is attributable to growth in Germany, Poland and Czech Republic driven by increased shipments of high quality flower products as well as continued strong growth in our Australian medical business.

Storz & Bickel

Revenue from Storz & Bickel was \$18.5 million in the third quarter of fiscal 2024, as compared to \$20.2 million in the third quarter of fiscal 2023. The year-over-year decrease is primarily attributable to production constraints and ramp-up of newly launched portable vaporizer in the second quarter of fiscal 2024.

This Works

Revenue from This Works was \$8.2 million in the third quarter of fiscal 2024, as compared to \$8.3 million in the third quarter of fiscal 2023. The year-over-year revenue is slightly lower due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended December 31,		\$ Change	% Change
	2023	2022		
Net revenue	\$ 78,505	\$ 84,850	\$ (6,345)	(7%)
Cost of goods sold	\$ 50,279	\$ 79,622	\$ (29,343)	(37%)
Gross margin	28,226	5,228	22,998	440%
Gross margin percentage	36%	6%	-	3,000 bps

Cost of goods sold was \$50.3 million in the third quarter of fiscal 2024, as compared to \$79.6 million in the third quarter of fiscal 2023. Our gross margin was \$28.2 million in the third quarter of fiscal 2024, or 36% of net revenue, as compared to a gross margin of \$5.2 million and gross margin percentage of 6% of net revenue in the third quarter of fiscal 2023. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) opportunistic utilization of lower cost inputs;
- A year-over-year decrease in restructuring charges, from \$2.0 million in the third quarter of fiscal 2023 to \$nil in the third quarter of fiscal 2024. In the third quarter of fiscal 2023, restructuring charges related primarily to inventory write-downs resulting from: (i) the strategic changes to our business that were initiated in the fourth quarter of fiscal 2022, including the shift to a contract manufacturing model for certain product format; and (ii) amounts deemed excess based on current and projected demand;
- Improvement in our Rest-of-world cannabis segment, primarily due to lower excess and obsolete inventory charges in the third quarter of fiscal 2024; and
- Improvement in the Storz & Bickel segment, primarily due to lower input costs and a positive shift in product mix to higher-margin newly launched products.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the three months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended December 31,		\$ Change	% Change
	2023	2022		
Canada cannabis segment				
Net revenue	\$ 39,028	\$ 46,617	\$ (7,589)	(16%)
Cost of goods sold	27,915	51,898	(23,983)	(46%)
Gross margin	11,113	(5,281)	16,394	310%
Gross margin percentage	28%	(11%)		3,900 bps
Rest-of-world cannabis segment				
Revenue	\$ 10,527	\$ 5,846	\$ 4,681	80%
Cost of goods sold	6,335	8,030	(1,695)	(21%)
Gross margin	4,192	(2,184)	6,376	292%
Gross margin percentage	40%	(37%)		7,700 bps
Storz & Bickel segment				
Revenue	\$ 18,453	\$ 20,214	\$ (1,761)	(9%)
Cost of goods sold	9,004	11,028	(2,024)	(18%)
Gross margin	9,449	9,186	263	3%
Gross margin percentage	51%	45%		600 bps
This Works segment				
Revenue	\$ 8,165	\$ 8,289	\$ (124)	(1%)
Cost of goods sold	3,912	4,257	(345)	(8%)
Gross margin	4,253	4,032	221	5%
Gross margin percentage	52%	49%		300 bps
Other				
Revenue	\$ 2,332	\$ 3,884	\$ (1,552)	(40%)
Cost of goods sold	3,113	4,409	(1,296)	(29%)
Gross margin	(781)	(525)	(256)	(49%)
Gross margin percentage	(33%)	(14%)		(1,900) bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$11.1 million in the third quarter of fiscal 2024, or 28% of net revenue, as compared to \$(5.3) million in the third quarter of fiscal 2023, or (11%) of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that

were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) opportunistic utilization of lower cost inputs;

Rest-of-world cannabis

Gross margin for our rest-of-world cannabis segment was \$4.2 million in the third quarter of fiscal 2024, or 40% of net revenue, as compared to \$(2.2) million in the third quarter of fiscal 2023, or (37%) of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to additional variable consideration recognized in respect of our U.S. CBD business and a downward adjustment related to a customer in an exited international market in the third quarter of fiscal 2023. Both items did not recur in the third quarter of fiscal 2024.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$9.4 million in the third quarter of fiscal 2024, or 51% of net revenue, as compared to \$9.2 million in the third quarter of fiscal 2023, or 45% of net revenue. The year-over-year increase in the gross margin percentage is driven primarily by lower input costs and a positive shift in product mix to higher-margin newly launched products.

This Works

Gross margin for our This Works segment was \$4.3 million in the third quarter of fiscal 2024, or 52% of net revenue, as compared to \$4.0 million in the third quarter of fiscal 2023, or 49% of net revenue. The year-over-year increase in the gross margin percentage is primarily due to lower excess and obsolete inventory charges in the third quarter of fiscal 2024.

Operating Expenses

The following table presents operating expenses for the three months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2023	2022		
Operating expenses				
General and administrative	\$ 22,735	\$ 31,314	\$ (8,579)	(27%)
Sales and marketing	18,326	32,410	(14,084)	(43%)
Research and development	1,311	4,907	(3,596)	(73%)
Acquisition, divestiture, and other costs	4,981	13,347	(8,366)	(63%)
Depreciation and amortization	7,083	7,626	(543)	(7%)
Selling, general and administrative expenses	54,436	89,604	(35,168)	(39%)
Share-based compensation expense	3,693	6,055	(2,362)	(39%)
Loss on asset impairment and restructuring	30,413	22,259	8,154	37%
Total operating expenses	<u>\$ 88,542</u>	<u>\$ 117,918</u>	<u>\$ (29,376)</u>	<u>(25%)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses were \$54.4 million in the third quarter of fiscal 2024, as compared to \$89.6 million in the third quarter of fiscal 2023.

General and administrative expense was \$22.7 million in the third quarter of fiscal 2024, as compared to \$31.3 million in the third quarter of fiscal 2023. The year-over-year decrease is primarily attributable to the impact of the restructuring actions and cost savings programs initiated in the fourth quarters of both fiscal 2022 and fiscal 2023. We realized reductions relative to the third quarter of fiscal 2023 primarily in relation to: (i) compensation costs for finance, information technology, legal and other administrative functions; and (ii) a reduction in facilities and insurance costs.

Sales and marketing expense was \$18.3 million in the third quarter of fiscal 2024, as compared to \$32.4 million in the third quarter of fiscal 2023. The year-over-year decrease is primarily attributable to: (i) the divestiture of our retail business in Canada in the third quarter of fiscal 2023; (ii) cost reductions related to the previously-noted restructuring actions and cost savings programs, which resulted in a rationalization of our sales and marketing spending in certain areas of our business, particularly for our Canadian cannabis and U.S. CBD businesses, and a reduction in compensation costs.

Research and development expense was \$1.3 million in the third quarter of fiscal 2024, as compared to \$4.9 million in the third quarter of fiscal 2023. The year-over-year decrease is primarily attributable to cost reductions associated with the previously-noted restructuring actions and cost savings programs, as we: (i) continued to realize reductions in compensation costs and curtail research and development projects; and (ii) shifted to outsourced contract model for certain research and development projects.

Acquisition, divestiture, and other costs were \$5.0 million in the third quarter of fiscal 2024, as compared to \$13.3 million in the third quarter of fiscal 2023. In the third quarter of fiscal 2024, costs were incurred primarily in relation to:

- Approximately \$2.4 million of additional advisory fees relating to the modification of the Credit Agreement that occurred in July 2023.
- Approximately \$2.0 million of legal and audit costs related to the restatement of our consolidated financial statements for the following previously filed periods: (i) audited consolidated financial statements for the fiscal year ended March 31, 2022, originally included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, and (ii) unaudited consolidated financial statements for the quarterly periods ended June 30, 2022, September 30, 2022 and December 31, 2022, originally included in the our Quarterly Reports on Form 10-Q for such quarterly periods, in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023; and
- The Reorganization of Canopy USA.

Comparatively, in the third quarter of fiscal 2023, costs were incurred primarily in relation to the Reorganization, the divestiture of certain of our corporate-owned retail stores in Canada, and evaluating other potential acquisition opportunities.

Depreciation and amortization expense was \$7.1 million in the third quarter of fiscal 2024, as compared to \$7.6 million in the third quarter of fiscal 2023. The year-over-year decrease is primarily attributable to: (i) the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Share-based compensation expense

Share-based compensation expense was \$3.7 million in the third quarter of fiscal 2024, as compared to \$6.1 million in the third quarter of fiscal 2023. The year-over-year decrease is primarily attributable to the impact of our previously-noted restructuring actions, which resulted in forfeitures of stock options, restricted share units and performance units and results in lower relative expenses in future periods. While 2.4 million stock options were granted in the first quarter of fiscal 2024 and 1.5 million restricted share units were granted in the second quarter of fiscal 2024, the associated expense relating to both items partially offset the decrease noted.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses were \$30.4 million in the third quarter of fiscal 2024, as compared to \$22.3 million in the third quarter of fiscal 2023.

Loss on asset impairment and restructuring recorded in the third quarter of fiscal 2024 were primarily related to the charges associated with the completion of the This Works Divestiture, as \$28.1 million of write-downs occurred due to the sale. In addition, there were various incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023.

Comparatively, in the third quarter of fiscal 2023, the loss on asset impairment and restructuring were primarily related to:

- Asset impairment charges totaling \$10.6 million relating to certain acquired brand intangible assets within our Canada cannabis segment;
- Employee-related restructuring charges associated with actions completed in the third quarter of fiscal 2023 as part of our ongoing program to align general and administrative costs with business objectives, and further streamline the organization;
- Incremental impairment losses associated with the divestiture of our Canadian retail operations in connection with: (i) the closing, on October 26, 2022, of the transaction by which 420 Investments Ltd. acquired the ownership of five of our corporate-owned retail stores in Alberta; and (ii) the closing, on December 30, 2022, of the transaction by which OEG Retail Cannabis acquired ownership of 23 of our corporate-owned retail stores in Manitoba, Saskatchewan and Newfoundland and Labrador, as well as all Tokyo Smoke-related intellectual property, as we 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; and

- Incremental costs primarily associated with the restructuring actions completed in fiscal 2022, including the closure of certain of our Canadian production facilities.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2023	2022		
Other income (expense), net	(171,037)	(115,490)	(55,547)	(48%)
Income tax recovery	1,077	1,336	(259)	(19%)

Other income (expense), net

Other income (expense), net was an expense amount of \$171.0 million in the third quarter of fiscal 2024, as compared to an expense amount of \$115.5 million in the third quarter of fiscal 2023. The year-over-year change of \$55.5 million is primarily attributable to:

- Change of \$50.9 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$95.8 million in the third quarter of fiscal 2023 to an expense of \$146.7 million in the third quarter of fiscal 2024. The expense amount recognized in the third quarter of fiscal 2024 is primarily attributable to fair value decreases relating to our investments in:
 - o The Wana financial instrument, in the amount of \$62.6 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Wana;
 - o The Acreage financial instrument, in the amount of \$43.6 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the third quarter of fiscal 2024 is primarily attributable to a decrease of approximately 36% in our share price during the third quarter of fiscal 2024, relative to a decrease of approximately 54% in Acreage's share price during that same period. As a result, the model at December 31, 2023 reflects both a lower estimated value of the Canopy Growth common shares expected to be issued upon a Triggering Event, and a lower estimated value of the Acreage shares expected to be acquired at that time. In the third quarter of fiscal 2024, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument;
 - o The TerrAscend Exchangeable Shares, in the amount of \$22.9 million, which was primarily attributable to a decrease of approximately 21% in TerrAscend's share price during the third quarter of fiscal 2024;
 - o The New Warrants, in the amount of \$10.5 million, which was primarily attributable to a decrease of approximately 21% in TerrAscend's share price during the third quarter of fiscal 2024; and
 - o The Jetty financial instrument, in the amount of \$9.9 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Jetty.

These fair value decreases were partially offset by fair value increases related to our investments in:

- o The secured debenture (the "Hempco Debenture") advanced by an affiliate of the Company to Universal Hemp, LLC, a wholly owned subsidiary of Acreage ("Acreage Hempco"), in the amount of \$2.1 million, which was attributable primarily to changes in expectations of future cash flows to be received.

Comparatively, the expense amount in the third quarter of fiscal 2023 was primarily attributable to fair value decreases relating to our investments in: (i) the TerrAscend Exchangeable Shares (\$31.5 million); (ii) the New Warrants (\$17.5 million); (iii) the Acreage call option (\$35.0 million); (iv) the Wana financial instrument (\$16.2 million); and (v) the Jetty financial instrument (\$10.2 million). The fair value decreases were partially offset by fair value increases associated with the secured debentures issued by TerrAscend Canada and Arise Bioscience and the associated Prior Warrants, up to the closing of the transactions contemplated in connection with the Debt Settlement Agreement (totaling \$9.9 million).

- Change of \$9.5 million related to charges associated with the settlement of our debt, from an income amount of \$8.9 million in the third quarter of fiscal 2023 to an expense amount of \$0.6 million in the third quarter of fiscal 2024. In the third quarter of fiscal 2024 we recognized charges of \$0.6 million, primarily in connection with principal repayments on the Credit Facility. The Third Quarter 2024 Paydowns resulted in a principal reduction of \$65,379 (US\$48,532) for a cash payment of \$63,167 (US\$46,902) and included write-offs of the related deferred financing costs. Comparatively, in the third quarter of fiscal 2023, we recognized a gain in the amount of \$8.9 million in connection with the first payment made in connection with the paydown

on November 10, 2022, as we repaid \$126.3 million (US\$94.4 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000.

- Decrease in expense of \$3.6 million related to non-cash fair value changes on our debt, from \$9.0 million in the third quarter of fiscal 2023 to \$5.4 million in the third quarter of fiscal 2024. The year-over-year change is driven by the fair value change of the unsecured senior notes in the third quarter of fiscal 2023 versus the fair value changes on the CBI Note in the third quarter of fiscal 2024.
- Decrease in non-cash income of \$6.9 million related to fair value changes on acquisition related contingent consideration and other, from \$1.8 million in the third quarter of fiscal 2023 to \$8.6 million in the third quarter of fiscal 2024. These fair value changes relate primarily to the estimated deferred payments associated with our investment in Wana, with the fair value changes in both periods primarily associated with changes in expectations of future cash flows to be generated by Wana.

Income tax recovery

Income tax recovery in the third quarter of fiscal 2024 was \$1.1 million, compared to income tax recovery of \$1.3 million in the third quarter of fiscal 2023. In the third quarter of fiscal 2024, income tax recovery consisted of deferred income tax recovery of \$0.6 million (compared to a recovery of \$1.8 million in the third quarter of fiscal 2023) and current income tax recovery of \$0.5 million (compared to an expense of \$0.5 million in the third quarter of fiscal 2023).

The decrease of \$1.2 million in the deferred income tax recovery is primarily a result of change in deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of property, plant and equipment, intangible assets, and other financial assets, net of deferred tax assets recognized in the quarter where the accounting criteria for recognition of an asset has been satisfied.

The increase of \$1.0 million in current income tax recovery arose primarily as a result of the reduction in the number of legal entities that generated income for tax purposes.

Net Loss from Continuing Operations

The net loss from continuing operations in the third quarter of fiscal 2024 was \$230.3 million, as compared to a net loss of \$226.8 million in the third quarter of fiscal 2023. The year-over-year increase in the net loss is primarily attributable to: (i) the year-over-year increase in loss on asset impairment and restructuring; (ii) the year-over-year change in other income (expense), net, of \$55.5 million; and (iii) offset by the decrease in selling, general and administrative expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

Our “Adjusted EBITDA” is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management calculates Adjusted EBITDA as the reported net income (loss), adjusted to exclude income tax recovery (expense); other income (expense), net; loss on equity method investments; share-based compensation expense; depreciation and amortization expense; (gain)/loss on asset impairment and restructuring; restructuring costs recorded in cost of goods sold; and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition, divestiture, and other costs. Asset impairments related to periodic changes to our supply chain processes are not excluded from Adjusted EBITDA given their occurrence through the normal course of core operational activities. Accordingly, management believes that Adjusted EBITDA provides meaningful and useful financial information, as this measure demonstrates the operating performance of businesses.

The following table presents Adjusted EBITDA for the three months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2023	2022		
Net loss from continuing operations	\$ (230,276)	\$ (226,844)	\$ (3,432)	(2%)
Income tax recovery	(1,077)	(1,336)	259	19%
Other (income) expense, net	171,037	115,490	55,547	48%
Share-based compensation	3,693	6,055	(2,362)	(39%)
Acquisition, divestiture, and other costs	4,981	13,347	(8,366)	(63%)
Depreciation and amortization ¹	12,240	19,308	(7,068)	(37%)
Loss on asset impairment and restructuring	30,413	22,259	8,154	37%
Restructuring costs recorded in cost of goods sold	-	2,007	(2,007)	(100%)
Adjusted EBITDA	<u>\$ (8,989)</u>	<u>\$ (49,714)</u>	<u>\$ 40,725</u>	<u>82%</u>

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the third quarter of fiscal 2024 was \$9.0 million, as compared to an Adjusted EBITDA loss of \$49.7 million in the third quarter of fiscal 2023. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin and the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operation for the Nine Months Ended December 31, 2023

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Selected consolidated financial information:				
Net revenue	\$ 224,358	\$ 265,018	\$ (40,660)	(15%)
Gross margin percentage	29%	0%	-	2,900 bps
Net loss from continuing operations	\$ (389,007)	\$ (2,492,445)	\$ 2,103,438	84%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (389,007)	\$ (2,491,109)	\$ 2,102,102	84%
Basic and diluted loss per share from continuing operations ^{1, 2}	\$ (5.56)	\$ (54.96)	\$ 49.40	90%

¹ For the nine months ended December 31, 2023, the weighted average number of outstanding common shares, basic and diluted, totaled 69,918,744 (nine months ended December 31, 2022 - 45,323,788).

² Prior year share and per share amounts have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023.

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the nine months ended December 31, 2023 and 2022:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Canada cannabis				
Canadian adult-use cannabis				
Business-to-business ¹	\$ 71,591	\$ 73,379	\$ (1,788)	(2%)
Business-to-consumer	-	36,243	(36,243)	(100%)
	71,591	109,622	(38,031)	(35%)
Canadian medical cannabis ²	45,043	41,714	3,329	8%
	\$ 116,634	\$ 151,336	\$ (34,702)	(23%)
Rest-of-world cannabis ³	\$ 29,666	\$ 30,179	\$ (513)	(2%)
Storz & Bickel	\$ 48,517	\$ 49,351	\$ (834)	(2%)
This Works	\$ 21,256	\$ 20,677	\$ 579	3%
Other	8,285	13,475	(5,190)	(39%)
Net revenue	\$ 224,358	\$ 265,018	\$ (40,660)	(15%)

¹Reflects excise taxes of \$31,596 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$2,483 for the nine months ended December 31, 2023 (nine months ended December 31, 2022 - excise taxes of \$33,754 and other revenue adjustments of \$2,903).

²Reflects excise taxes of \$4,827 for the nine months ended December 31, 2023 (nine months ended December 31, 2022 - \$3,625).

³Reflects other revenue adjustments of \$454 for the nine months ended December 31, 2023 (nine months ended December 31, 2022 - \$4,885).

Net revenue was \$224.4 million in the nine months ended December 31, 2023, a decrease of \$40.7 million as compared to \$265.0 million in the nine months ended December 31, 2022.

Canada cannabis

Net revenue from our Canada cannabis segment was \$116.6 million in the nine months ended December 31, 2023, as compared to \$151.3 million in the nine months ended December 31, 2022.

Canadian adult-use cannabis net revenue was \$71.6 million in the nine months ended December 31, 2023, as compared to \$109.6 million in the nine months ended December 31, 2022.

- Net revenue from the business-to-business channel was \$71.6 million in the nine months ended December 31, 2023, as compared to \$73.4 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to lower sales volumes across our premium and value-priced categories which, for the value-priced category, is largely the result of a strategy shift. For the premium category, the decrease is primarily attributable to supply chain constraints and shortages of in-demand flower. This decrease was partially offset by increased sales of our mainstream brands, primarily resulting from improved product attributes and new products introduced under the Tweed brand.
- Revenue from the adult-use business-to-consumer channel was \$nil in the nine months ended December 31, 2023, as compared to \$36.2 million in the nine months ended December 31, 2022. The year-over-year decrease is attributable to the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Canadian medical cannabis net revenue was \$45.0 million in the nine months ended December 31, 2023, as compared to \$41.7 million in the nine months ended December 31, 2022. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to a shift in our customer mix, and a larger assortment of cannabis product choices offered to our customers.

Rest-of-world cannabis

Rest-of-world cannabis revenue was \$29.7 million in the nine months ended December 31, 2023, as compared to \$30.2 million in the nine months ended December 31, 2022. The year-over-year decrease is attributable to:

- A decline in our U.S. CBD business, primarily due to: (i) the opportunistic sale, in the first quarter of fiscal 2023, of bulk crude CBD resin which did not recur in the first quarter of fiscal 2024; and (ii) the continuing impact of our strategy shift to re-focus and refine our portfolio of product and brand offerings on premium products;
- Bulk cannabis sales, predominantly to a customer in an exited international market, in the amount of \$4.2 million recognized in the first six months of fiscal 2023, which did not recur in the first six months of fiscal 2024; and
- Softness in the German medical cannabis market, offset by increased sales in Australia, Poland and Czech Republic.

Storz & Bickel

Revenue from Storz & Bickel was \$48.5 million in the nine months ended December 31, 2023, as compared to \$49.4 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to production constraints and ramp-up of newly launched portable vaporizer in the second quarter of fiscal 2024, offset by the expansion of our distribution and retail channels in the United States, helped by favorable foreign currency translation.

This Works

Revenue from This Works was \$21.3 million in the nine months ended December 31, 2023, as compared to \$20.7 million in the nine months ended December 31, 2022. The year-over-year increase is primarily attributable to an expanded product portfolio in our "Bodycare" line and continued success and strengthening sales velocity of our "In Transit" skincare product lineup, further supported by favorable foreign currency translations, slightly offset by the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the nine months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Net revenue	\$ 224,358	\$ 265,018	\$ (40,660)	(15%)
Cost of goods sold	\$ 158,944	\$ 264,226	\$ (105,282)	(40%)
Gross margin	65,414	792	64,622	8,159%
Gross margin percentage	29%	0%	-	2,900 bps

Cost of goods sold was \$158.9 million in the nine months ended December 31, 2023, as compared to \$264.2 million in the nine months ended December 31, 2022. Our gross margin was \$65.4 million in the nine months ended December 31, 2023, or 29% of net revenue, as compared to a gross margin of \$0.8 million and gross margin percentage of 0% of net revenue in the nine months ended December 31, 2022. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) capturing of value from previously identified excess inventory;
- A year-over-year decrease in restructuring charges, from \$10.1 million in the first nine months of fiscal 2023 to reversal of \$0.7 in the first nine months of fiscal 2024. In the first nine months of fiscal 2023, restructuring charges related primarily to inventory write-downs resulting from: (i) the strategic changes to our business that were initiated in the fourth quarter of fiscal 2022, including the shift to a contract manufacturing model for certain product format; and (ii) amounts deemed excess based on current and projected demand; and
- Improvement in our Rest-of-world cannabis and This Works segments, primarily due to lower excess and obsolete inventory charges in the first nine months of fiscal 2024.

The factors above, resulting in a year-over-year increase in our gross margin percentage, were partially offset by a decrease in the amount of payroll subsidies received from the Canadian government pursuant to a COVID-19 relief program, from \$1.6 million in the nine months ended December 31, 2022 to \$nil in the nine months ended December 31, 2023.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the nine months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Canada cannabis segment				
Net revenue	\$ 116,634	\$ 151,336	\$ (34,702)	(23%)
Cost of goods sold	91,895	176,803	(84,908)	(48%)
Gross margin	24,739	(25,467)	50,206	197%
Gross margin percentage	21%	(17%)		3,800 bps
Rest-of-world cannabis segment				
Revenue	\$ 29,666	\$ 30,179	\$ (513)	(2%)
Cost of goods sold	19,302	33,855	(14,553)	(43%)
Gross margin	10,364	(3,676)	14,040	382%
Gross margin percentage	35%	(12%)		4,700 bps
Storz & Bickel segment				
Revenue	\$ 48,517	\$ 49,351	\$ (834)	(2%)
Cost of goods sold	27,443	28,542	(1,099)	(4%)
Gross margin	21,074	20,809	265	1%
Gross margin percentage	43%	42%		100 bps
This Works segment				
Revenue	\$ 21,256	\$ 20,677	\$ 579	3%
Cost of goods sold	10,722	11,695	(973)	(8%)
Gross margin	10,534	8,982	1,552	17%
Gross margin percentage	50%	43%		700 bps
Other				
Revenue	\$ 8,285	\$ 13,475	\$ (5,190)	(39%)
Cost of goods sold	9,582	13,331	(3,749)	(28%)
Gross margin	(1,297)	144	(1,441)	(1,001%)
Gross margin percentage	(16%)	1%		(1,700) bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$24.7 million in the nine months ended December 31, 2023, or 21% of net revenue, as compared to \$(25.5) million in the nine months ended December 31, 2022, or (17%) of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) capturing of value from previously identified excess inventory. These increases were partially offset by a decrease in the amount of payroll subsidies received from the Canadian government pursuant to a COVID-19 relief program, from \$1.6 million in the nine months ended December 31, 2022 to \$nil in the nine months ended December 31, 2023.

Rest-of-world cannabis

Gross margin for our rest-of-world cannabis segment was \$10.4 million in the nine months ended December 31, 2023, or 35% of net revenue, as compared to \$(3.7) million in the nine months ended December 31, 2022, or (12%) of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to an improvement in our U.S. CBD business, due primarily to the year-over-year decrease in restructuring charges, as we recorded charges of \$7.3 million in the nine months ended December 31, 2022 relating to inventory write-downs resulting from strategic changes to our business. These charges decreased to \$nil in the nine months ended December 31, 2023 and the realized benefit of our cost savings program and the strategic changes made to our business, including the shift to a contract manufacturing model for certain product formats and the re-focusing of our U.S. CBD product and

brand portfolio. Further supporting the improved gross margin was a shift in the business mix to increased sales in Australia, Poland and Czech Republic compared to the nine months ended December 31, 2022.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$21.1 million in the nine months ended December 31, 2023, or 43% of net revenue, as compared to \$20.8 million in the nine months ended December 31, 2022, or 42% of net revenue. Gross margins were broadly consistent on a year-over-year basis.

This Works

Gross margin for our This Works segment was \$10.5 million in the nine months ended December 31, 2023, or 50% of net revenue, as compared to \$9.0 million in the nine months ended December 31, 2022, or 43% of net revenue. The year-over-year increase in the gross margin percentage is primarily due to lower excess and obsolete inventory charges in the nine months ended December 31, 2023.

Operating Expenses

The following table presents operating expenses for the nine months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Operating expenses				
General and administrative	\$ 65,899	\$ 89,869	\$ (23,970)	(27%)
Sales and marketing	58,678	106,133	(47,455)	(45%)
Research and development	3,768	17,349	(13,581)	(78%)
Acquisition, divestiture, and other costs	24,373	31,546	(7,173)	(23%)
Depreciation and amortization	22,092	26,528	(4,436)	(17%)
Selling, general and administrative expenses	174,810	271,425	(96,615)	(36%)
Share-based compensation expense	10,127	20,893	(10,766)	(52%)
Loss on asset impairment and restructuring	2,452	1,794,212	(1,791,760)	(100%)
Total operating expenses	<u>\$ 187,389</u>	<u>\$ 2,086,530</u>	<u>\$ (1,899,141)</u>	<u>(91%)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses were \$174.8 million in the nine months ended December 31, 2023, as compared to \$271.4 million in the nine months ended December 31, 2022.

General and administrative expense was \$65.9 million in the nine months ended December 31, 2023, as compared to \$89.9 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to the impact of the restructuring actions and cost savings programs initiated in the fourth quarters of both fiscal 2022 and fiscal 2023. We realized reductions relative to the nine months ended December 31, 2023 primarily in relation to: (i) compensation costs for finance, information technology, legal and other administrative functions; and (ii) a reduction in facilities and insurance costs. The decrease noted above was partially offset by a year-over-year decrease in the amount of payroll subsidies received from the Canadian government pursuant to a COVID-19 relief program, from \$2.9 million received in the nine months ended December 31, 2022 to \$nil in the nine months ended December 31, 2023.

Sales and marketing expense was \$58.7 million in the nine months ended December 31, 2023, as compared to \$106.1 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to: (i) the divestiture of our retail business in Canada in the third quarter of fiscal 2023; (ii) cost reductions related to the previously-noted restructuring actions and cost savings programs, which resulted in a rationalization of our sales and marketing spending in certain areas of our business, particularly for our Canadian cannabis and U.S. CBD businesses, and a reduction in compensation costs.

Research and development expense was \$3.8 million in the nine months ended December 31, 2023, as compared to \$17.3 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to cost reductions associated with the previously-noted restructuring actions and cost savings programs, as we: (i) continued to realize reductions in

compensation costs and curtail research and development projects; and (ii) shifted to outsourced contract model for certain research and development projects.

Acquisition, divestiture, and other costs were \$24.4 million in the nine months ended December 31, 2023, as compared to \$31.5 million in the nine months ended December 31, 2022. In the nine months ended December 31, 2023, costs were incurred primarily in relation to:

- Approximately \$8.9 million of costs relating to the modification of the Credit Agreement that occurred in July 2023.
- Approximately \$8.8 million of legal and audit costs related to the restatement of our consolidated financial statements for the following previously filed periods: (i) audited consolidated financial statements for the fiscal year ended March 31, 2022, originally included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, and (ii) unaudited consolidated financial statements for the quarterly periods ended June 30, 2022, September 30, 2022 and December 31, 2022, originally included in the our Quarterly Reports on Form 10-Q for such quarterly periods, in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023;
- The Reorganization of Canopy USA; and
- Evaluating other potential acquisition opportunities.

Comparatively, in the nine months ended December 31, 2022, costs were incurred primarily in relation to the Reorganization and the planned divestiture of certain of our corporate-owned retail stores, and evaluating other potential acquisition opportunities.

Depreciation and amortization expense was \$22.1 million in the nine months ended December 31, 2023, as compared to \$26.5 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to: (i) the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Share-based compensation expense

Share-based compensation expense was \$10.1 million in the nine months ended December 31, 2023, as compared to \$20.9 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to the impact of our previously-noted restructuring actions, which resulted in forfeitures of stock options, restricted share units and performance units and results in lower relative expenses in future periods. While 2.4 million stock options were granted in the first quarter of fiscal 2024 and 1.5 million restricted share units were granted in the second quarter of fiscal 2024, the associated expense relating to both items partially offset the decrease noted. However, the impact was limited because the stock options and restricted share units were only issued part-way through the period.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses were \$2.5 million in the nine months ended December 31, 2023, as compared to \$1.8 billion in the nine months ended December 31, 2022.

Loss on asset impairment and restructuring recorded in the nine months ended December 31, 2023 were primarily related to the charges associated with the completion of the This Works Divestiture, as \$28.1 million of write-downs occurred due to the sale. In addition, there were various incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023. These charges were offset by a gain on the sale of our production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain is due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023.

Comparatively, in the nine months ended December 31, 2022, the loss on asset impairment and restructuring were primarily related to:

- Goodwill impairment losses of \$1.8 billion, substantially of which was associated with our cannabis operations reporting unit in the global cannabis segment. Refer to “Impairment of Goodwill” in “Critical Accounting Policies and Estimates” section below;
- Impairment losses associated with the planned divestiture of our Canadian retail operations, as we recorded write-downs of property, plant and equipment, operating license and brand intangible assets, right-of-use assets, and certain other assets due to the excess of their carrying values over their estimated fair value; and
- Incremental costs primarily associated with the restructuring actions completed in fiscal 2022, including the closure of certain of our Canadian production facilities, and operational changes initiated in the fourth quarter of fiscal 2022 to: (i) implement

cultivation-related efficiencies and improvements in the Canadian recreational cannabis business; and (ii) implement a flexible manufacturing platform, including contract manufacturing for certain product formats.

Other

The following table presents other income (expense), net, and income tax expense for the nine months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Other income (expense), net	(253,270)	(396,074)	142,804	36%
Income tax expense	(13,762)	(10,633)	(3,129)	(29%)

Other income (expense), net

Other income (expense), net was an expense amount of \$253.3 million in the nine months ended December 31, 2023, as compared to an expense amount of \$396.1 million in the nine months ended December 31, 2022. The year-over-year change of \$142.8 million is primarily attributable to:

- Change of \$232.9 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$396.8 million in the nine months ended December 31, 2022 to \$163.9 million in the nine months ended December 31, 2023. The expense amount recognized in the nine months ended December 31, 2023 is primarily attributable to fair value decreases relating to our investments in:
 - o The Wana financial instrument, in the amount of \$111.8 million, primarily attributable to changes in expectations of future cash flows to be generated by Wana;
 - o The Jetty financial instrument, in the amount of \$27.2 million, primarily attributable to changes in expectations of future cash flows to be generated by Jetty;
 - o The Acreage financial instrument, in the amount of \$22.3 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value increase in the nine months ended December 31, 2023 is primarily attributable to a decrease of approximately 71% in our share price during the nine months ended December 31, 2023, relative to a decrease of approximately 67% in Acreage's share price during that same period. As a result, the model at December 31, 2023 reflects both a lower estimated value of the Canopy Growth common shares expected to be issued upon a Triggering Event, and a lower estimated value of the Acreage shares expected to be acquired at that time. In the nine months ended December 31, 2023, the relative share price movements resulted in an increase in the value of the Acreage financial instrument; and
 - o The Hempco Debenture, in the amount of \$15.8 million, primarily attributable to changes in expectations of future cash flows to be received.

These fair value decreases were partially offset by fair value increases primarily attributable to our investments in:

- o The TerrAscend Exchangeable Shares, in the amount of \$10.2 million, primarily attributable to an increase of approximately 7% in TerrAscend's share price during the nine months ended December 31, 2023; and
- o The New Warrants, in the amount of \$2.7 million, primarily attributable to an increase of approximately 7% in TerrAscend's share price during the nine months ended December 31, 2023.

Comparatively, the expense amount in the nine months ended December 31, 2022 was primarily attributable to fair value decreases relating to our investments in: (i) the TerrAscend Exchangeable Shares (\$207.0 million); (ii) the secured debentures issued by TerrAscend Canada and Arise Bioscience and associated Prior Warrants (totaling \$58.7 million); (iii) the New Warrants issued by TerrAscend (\$17.5 million) and (iv) the TerrAscend Option (\$5.1 million), which were all driven largely by a decrease of approximately 78% in TerrAscend's share price in the nine months ended December 31, 2022. Additionally, the fair value of our investment in the Wana and Jetty financial instruments decreased \$135.4 million and \$9.8 million, respectively, due primarily to changes in expectations of the future cash flows to be generated by Wana and an increase in discount rates used in the valuation of both the Wana and Jetty financial instruments. The fair value decreases were partially offset by a fair value increase related to the Acreage financial instrument in the amount of \$37.0 million.

- Increase of \$17.3 million related to charges associated with the settlement of our debt, from \$4.2 million income in the nine months ended December 31, 2022 to \$13.1 million expense in the nine months ended December 31, 2023. In the nine months ended December 31, 2023 we recognized charges of \$13.1 million, primarily in connection with the conversion of the Convertible Debentures (as described above under "Recent Developments") into Canopy Growth common shares at a

conversion price of 92.5% of the volume-weighted average price of our common shares during the three consecutive trading days ending on the business day immediately prior to the date of conversion and the Second Quarter 2024 Paydowns and Third Quarter 2024 Paydowns which resulted in a principal reduction of \$73,313 (US\$54,491) and \$65,379 (US\$48,532), respectively, for a cash payment of \$69,647 (US\$51,766) and \$63,167 (US\$46,902), respectively, and included write-offs of the related deferred financing costs. These charges were partially offset by a gain recognized upon the second payment made in connection with the Paydown on April 17, 2023 (also as described above under “Recent Developments”), as we repaid \$125.6 million (US\$93.8 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000.

- Comparatively, in the nine months ended December 31, 2022, we recognized income in the amount of \$4.2 million primarily relating to: (i) the gain recognized upon the first payment made in connection with the paydown on November 10, 2022, as we repaid \$126.3 million (US\$94.4 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000; and (ii) the release of amounts recorded in accumulated other comprehensive income in relation to the credit risk fair value adjustment associated with the portion of the Canopy Notes that were acquired and cancelled in June and July 2022. These were offset by charges relating to the Exchange Transaction and primarily include: (i) the recognition of, and fair value changes through to the Final Closing on, a derivative liability in connection with the incremental common shares that were potentially issuable as at June 30, 2022 at the Averaging Price on the Final Closing, pursuant to the Exchange Agreements; and (ii) professional fees associated with the Exchange Transaction.
- Change of \$1.8 million related to non-cash fair value changes on our debt, from an expense amount of \$32.4 million in the nine months ended December 31, 2022 to an expense amount of \$30.6 million in the nine months ended December 31, 2023. The year-over-year change, is primarily attributable to the fair value changes on the unsecured non-interest bearing convertible debentures, partially offset by the fair value changes on the CBI Note, and the fair value change of the unsecured senior notes prior to redemption in July 2023; compared to the fair value change of the unsecured senior notes in the nine months ended December 31, 2022.
- Decrease in non-cash income of \$26.3 million related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants, from an income amount of \$26.3 million in the nine months ended December 31, 2022 to a fair value change of \$nil in the nine months ended December 31, 2023. The fair value change of \$nil in the nine months ended December 31, 2023 is the result of the fair value of the warrant derivative liability decreasing to \$nil in the fourth quarter of fiscal 2023, and expiring as of November 1, 2023. Comparatively, the income amount recognized in the nine months ended December 31, 2022 of \$26.3 million, associated with a decrease in the fair value of the warrant derivative liability, was primarily attributable to a decrease of approximately 67% in our common share price during the nine months ended December 31, 2022, further impacted by an increase in the risk-free interest rate and a shorter expected time to maturity of the Tranche B Warrants.
- Decrease in non-cash income of \$6.8 million related to fair value changes on acquisition related contingent consideration and other, from \$25.9 million in the nine months ended December 31, 2022 to \$19.1 million in the nine months ended December 31, 2023. These fair value changes relate primarily to the estimated deferred payments associated with our investment in Wana, with the fair value changes in both periods primarily associated with changes in expectations of future cash flows to be generated by Wana.
- Decrease in non-cash income of \$47.0 million related to the fair value changes on the liability arising from the Acreage Amended Arrangement, from an income amount of \$47.0 million in the nine months ended December 31, 2022 to a fair value change of \$nil in the nine months ended December 31, 2023. The fair value change of \$nil associated with the Acreage financial instrument in the nine months ended December 31, 2023 is a result of the change from a liability amount to an asset amount recorded in other financial assets; in the nine months ended December 31, 2023, the fair value of the Acreage financial instrument increased, as explained above, and remained in an asset position. Comparatively, the income amount recognized in the nine months ended December 31, 2022, associated with a decrease in the liability arising from the Acreage Amended Arrangement to \$nil, was primarily attributable to a decrease of approximately 61% in our share price during the first quarter of fiscal 2023, relative to a decrease of approximately 27% in Acreage’s share price during that same period. As a result, the probability-weighted expected return model used to determine the fair value of the liability arising from the Acreage Amended Arrangement at June 30, 2022 reflected a lower estimated value of the Canopy Growth common shares expected to be issued at the exchange ratio of 0.03048 upon a Triggering Event, relative to the estimated value of the Fixed Shares expected to be acquired at that time (changes in our share price have a more significant impact on the model relative to changes in Acreage’s share price); in the first quarter of fiscal 2023, this resulted in a change from a liability amount to an asset amount.

Income tax expense

Income tax expense in the nine months ended December 31, 2023 was \$13.8 million, compared to income tax expense of \$10.6 million in the nine months ended December 31, 2022. In the nine months ended December 31, 2023, income tax expense consisted of

deferred income tax expense of \$13.4 million (compared to an expense of \$7.0 million in the nine months ended December 31, 2022) and current income tax expense of \$0.4 million (compared to an expense of \$3.6 million in the nine months ended December 31, 2022).

The increase of \$6.4 million in the deferred income tax expense is primarily a result of (i) an increase due to the settlements of the Canopy Notes; and (ii) decrease in the change in deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of property, plant and equipment, intangible assets, and other financial assets.

The decrease of \$3.2 million in current income tax expense arose primarily as a result of the reduction in the number of legal entities that generated income for tax purposes.

Net Loss from Continuing Operations

The net loss in the nine months ended December 31, 2023 was \$389.0 million, as compared to a net loss of \$2.5 billion in the nine months ended December 31, 2022. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change from a loss on asset impairment and restructuring with respect to goodwill impairment losses of \$1.7 billion recorded in the nine months ended December 31, 2022 to a gain on asset impairment and restructuring; (ii) the year-over-year change in other income (expense), net, of \$142.8 million; and (iii) the decrease in selling, general and administrative expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

Our “Adjusted EBITDA” is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management calculates Adjusted EBITDA as the reported net income (loss), adjusted to exclude income tax recovery (expense); other income (expense), net; loss on equity method investments; share-based compensation expense; depreciation and amortization expense; (gain)/loss on asset impairment and restructuring; restructuring costs recorded in cost of goods sold; and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition, divestiture, and other costs. Asset impairments related to periodic changes to our supply chain processes are not excluded from Adjusted EBITDA given their occurrence through the normal course of core operational activities. Accordingly, management believes that Adjusted EBITDA provides meaningful and useful financial information, as this measure demonstrates the operating performance of businesses.

The following table presents Adjusted EBITDA for the nine months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
Net loss from continuing operations	\$ (389,007)	\$ (2,492,445)	\$ 2,103,438	84%
Income tax expense	13,762	10,633	3,129	29%
Other (income) expense, net	253,270	396,074	(142,804)	(36%)
Share-based compensation	10,127	20,893	(10,766)	(52%)
Acquisition, divestiture, and other costs	24,373	31,546	(7,173)	(23%)
Depreciation and amortization ¹	41,881	60,732	(18,851)	(31%)
Loss on asset impairment and restructuring	2,452	1,794,212	(1,791,760)	(100%)
Restructuring costs recorded in cost of goods sold	(689)	10,129	(10,818)	(107%)
Adjusted EBITDA	\$ (43,831)	\$ (168,226)	\$ 124,395	74%

¹ From Statements of Cash Flows.

The Adjusted EBITDA loss in the nine months ended December 31, 2023 was \$43.8 million, as compared to an Adjusted EBITDA loss of \$168.2 million in the nine months ended December 31, 2022. The year-over-year decrease in the Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin, and the year-over-year decrease in our selling, general and administrative expenses.

Part 3 – Financial Liquidity and Capital Resources

The Interim Financial Statements have been prepared in accordance with generally accepted accounting principles on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As reflected in the Interim Financial Statements, we have suffered recurring losses from operations and require additional financing to fund our business and operations. If we are unable to raise additional capital, it is possible that we will be unable to meet certain of our financial obligations.

These matters, when considered in the aggregate, raise substantial doubt about our ability to continue as a going concern for at least twelve months from the issuance of the Interim Financial Statements.

In view of these matters, continuation as a going concern is dependent upon our continued operations, which in turn is dependent upon our ability to meet our financial requirements and to raise additional capital, and the success of our future operations. The Interim Financial Statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should we not continue as a going concern.

Management plans to fund our operations and debt obligations through existing cash positions. We are also currently evaluating several different strategies and intend to pursue actions that are expected to increase our liquidity position, including, but not limited to, pursuing additional actions under our cost-savings plan, seeking additional financing from both the public and private markets through the issuance of equity and/or debt securities, and monetizing additional assets.

Our management cannot provide assurances that we will be successful in accomplishing any of our proposed financing plans. Our management also cannot provide any assurance as to unforeseen circumstances that could occur within the next 12 months or, if after we raise capital, thereafter, which could increase our need to raise additional capital on an immediate basis, which capital may not be available to us.

We have completed the following debt financings:

- On March 18, 2021, we entered into a term loan credit agreement with the lenders party thereto and Wilmington Trust, National Association, as administrative agent and collateral agent for the lenders (the "Credit Agreement") providing for a five-year, first lien senior secured term loan facility in an aggregate principal amount of US\$750.0 million (the "Credit Facility"). As described under "Recent Developments" above, pursuant to the balance sheet actions completed in connection with the Reorganization, on October 24, 2022, we entered into agreements with certain of our lenders under the Credit Facility pursuant to which we agreed to purchase in the aggregate US\$187.5 million of the principal indebtedness outstanding under the Credit Facility at a discounted price of US\$930 per \$1,000 or US\$174,375 in the aggregate. The first payment, which was oversubscribed, in the amount of approximately \$117.5 million (US\$87.9 million) was made on November 10, 2022 to reduce the principal indebtedness under the Credit Facility by approximately \$126.3 million (US\$94.4 million). The second payment of approximately \$116.8 million (US\$87.2 million) was made on April 17, 2023 to reduce principal indebtedness under the Credit Facility by approximately \$125.6 million (US\$93.8 million). Additionally, on October 24, 2022, we and certain of our lenders agreed to make certain amendments to the Credit Agreement which, among other things, resulted in: (i) a reduction to the minimum liquidity covenant to no less than US\$100.0 million following completion of the second principal repurchase on April 17, 2023; (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\$100.0 million; and (iv) the elimination of the additional US\$500.0 million incremental term loan facility.
- As described above under "Recent Developments", on July 13, 2023, we entered into agreements with certain of our lenders under the Credit Agreement pursuant to which certain additional amendments were made to the Credit Agreement (collectively, the Credit Agreement, as amended as of July 13, 2023, is referred to herein as the "Amended Credit Agreement"). The Amended Credit Agreement required us to prepay or repurchase principal indebtedness under the Credit Facility in an amount equal to the US dollar equivalent of \$93,000 at a discounted price of US\$930 per US\$1,000 (the "July 2023 Paydown"). In addition, the Amended Credit Agreement requires us to apply certain net proceeds from asset sales to prepay or repurchase principal indebtedness under the Credit Facility and receive principal reductions at, in certain circumstances, a discounted price of US\$950 per US\$1,000. The Amended Credit Agreement also includes, among other things, amendments to the minimum liquidity covenant such that the US\$100,000 minimum ceased to apply concurrently with the July 2023 Paydown. The July 2023 Paydown was made on July 21, 2023.
- As described above under "Recent Developments", on each of August 11, 2023 and September 14, 2023, we repurchased additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales (the "Second Quarter 2024 Paydowns"). The Second Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$73.3 million (US\$54.5 million) for a cash payment of \$69.6 million (US\$51.8 million).
- On each of November 28, 2023 and December 27, 2023, pursuant to the terms of the Amended Credit Agreement, we repurchased and repaid, as applicable, additional outstanding principal amounts under the Credit Facility using certain net

proceeds from completed asset sales (the "Third Quarter 2024 Paydowns"). The Third Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$65.4 million (US\$48.5 million) for a cash payment of \$63.2 million (US\$46.9 million).

- On February 21, 2023, we entered into the Convertible Debenture Agreement with an Institutional Investor pursuant to which the Institutional Investor purchased \$135.2 million (US\$100.0 million) aggregate principal amount of the Convertible Debentures in a registered direct offering. As of June 30, 2023, all conversions pursuant to the Convertible Debentures were completed and the amount outstanding under the Convertible Debentures was \$nil.
- On April 13, 2023, we entered into the April 2023 Exchange Agreement with Greenstar in order to acquire and cancel \$100.0 million aggregate principal amount of our outstanding Canopy Notes. Pursuant to the April 2023 Exchange Agreement, we agreed to acquire and cancel \$100.0 million aggregate principal amount of the Canopy Notes held by Greenstar in exchange for: (i) a cash payment to Greenstar in the amount of the unpaid and accrued interest owing under the Canopy Notes held by Greenstar; and (ii) the CBI Note (collectively, the "CBI Transaction"). As a result, Greenstar no longer holds any Canopy Notes. Following closing of the CBI Transaction and the creation of the Exchangeable Shares, we maintain our intention to negotiate an exchange with Greenstar to purchase the CBI Notes in exchange for Exchangeable Shares.
- On June 29, 2023, we entered into the June 2023 Exchange Agreements with certain Noteholders in connection with the June 2023 Exchange Transaction to acquire and cancel \$12.5 million aggregate principal amount of the Canopy Notes from such Noteholders in exchange for cash, including accrued and unpaid interest owing under the Canopy Notes, and the issuance of approximately 2.43 million Canopy Growth common shares.
- On July 13, 2023, we entered into the Redemption Agreements with certain Noteholders, pursuant to which approximately \$193 million aggregate principal amount of the outstanding Canopy Notes held by such Noteholders were redeemed by us on the applicable closing date for: (i) an aggregate cash payment of approximately \$101 million; (ii) the issuance of an aggregate 9.04 million Canopy Growth common shares; and (iii) the issuance of approximately \$40.4 million aggregate principal amount of Debentures. Following the Redemption, we settled the remaining aggregate principal amount owing under the outstanding Canopy Notes and, as of the maturity date, there were no Canopy Notes outstanding. As of September 30, 2023, all conversions pursuant to the Debentures have been completed and the amount outstanding under the Debentures was \$nil.

On September 18, 2023, we entered into subscription agreements (the "Subscription Agreements") with certain institutional investors (the "Investors"). Pursuant to the terms of the Subscription Agreements, we issued 2.29 million units of the Company (the "Units") to the Investors at a price per Unit of US\$10.90 for aggregate gross proceeds of \$33.7 million (US\$25.0 million) (the "Unit Offering"). Each Unit is comprised of one Canopy Growth common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to acquire one Canopy Growth common share at a price per share equal to US\$13.50 for a period of five years from the date of issuance. The Unit Offering closed on September 19, 2023. The Investors also held an over-allotment option to acquire up to an additional 2.29 million Units at a price per Unit of US\$10.90 for aggregate gross proceeds of approximately US\$25.0 million at the discretion of the Investors at any time on or before November 2, 2023 (the "Over-Allotment Option"). The Over-Allotment Option was not exercised by the Investors and expired on November 2, 2023.

On January 18, 2024, we entered into subscription agreements (the "January 2024 Subscription Agreements") with certain institutional investors (the "January 2024 Investors"). Pursuant to the terms of the January 2024 Subscription Agreements, we issued 8.16 million units of the Company (the "January 2024 Units") to the January 2024 Investors at a price per January 2024 Unit of US\$4.29 for aggregate gross proceeds of approximately \$47.1 million (US\$35.0 million) (the "January 2024 Unit Offering"). Each January 2024 Unit is comprised of (a) one Canopy Growth common share and (b)(i) one Series A common share purchase warrant (a "Series A Warrant") or (ii) one Series B common share purchase warrant (a "Series B Warrant" and, together with the Series A Warrants, the "January 2024 Warrants"). Each January 2024 Warrant entitles the holder to acquire one Canopy Growth common share from the Company at a price per share equal to US\$4.83. The Series A Warrants are currently exercisable and will remain exercisable until January 19, 2029, and the Series B Warrants will be exercisable for a period commencing on July 19, 2024 until July 19, 2029. The January 2024 Unit Offering closed on January 19, 2024.

In addition to the above, we continue to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to: (i) obtaining financing from traditional or non-traditional investment capital organizations; (ii) obtaining funding from the sale of our common shares or other equity or debt instruments; and (iii) obtaining debt financing with lending terms that more closely match our business model and capital needs. We may from time to time seek to retire our outstanding debt through cash purchases and/or exchanges for equity securities, and open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Cash Flows

The following table presents cash flows for the nine months ended December 31, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,	
	2023	2022
Net cash (used in) provided by:		
Operating activities ¹	\$ (259,891)	\$ (417,809)
Investing activities ²	\$ 202,106	\$ 342,125
Financing activities	\$ (473,524)	\$ (145,921)
Effect of exchange rate changes on cash and cash equivalents	\$ (2,953)	\$ 43,731
Net decrease in cash and cash equivalents	\$ (534,262)	\$ (177,874)
Cash and cash equivalents, beginning of period ³	\$ 677,007	\$ 776,005
Cash and cash equivalents, end of period ⁴	\$ 142,745	\$ 598,131

¹ Includes net cash used in operating activities from discontinued operations of \$(53,930) and \$(119,019) for the nine months ended December 31, 2023 and 2022, respectively.

² Includes net cash used in investing activities from discontinued operations of \$(2,600) and \$(23,947) for the nine months ended December 31, 2023 and 2022, respectively.

³ Includes cash of our discontinued operations of \$9,314 and \$13,610 for March 31, 2023 and 2022, respectively.

⁴ Includes cash of our discontinued operations of \$nil and \$13,261 for December 31, 2023 and 2022, respectively.

Operating activities

Cash used in operating activities totaled \$259.9 million in the nine months ended December 31, 2023, as compared to cash used of \$417.8 million in the nine months ended December 31, 2022. The decrease in the cash used in operating activities is primarily due to: (i) the year-over-year decrease in our working capital spending, resulting from our previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) a reduction in the cash interest paid resulting from a reduction in our debt balances.

Investing activities

The cash provided by investing activities totaled \$202.1 million in the nine months ended December 31, 2023, as compared to cash provided of \$342.1 million in the nine months ended December 31, 2022.

In the nine months ended December 31, 2023, purchases of property, plant and equipment were \$3.2 million, primarily related to production equipment enhancements made at certain of our Canadian cultivation and production facilities, and at our Storz & Bickel facilities. Comparatively, in the nine months ended December 31, 2022, we invested \$6.2 million in improvements at certain of our Canadian cultivation and production activities, and at our Storz & Bickel facilities.

In the nine months ended December 31, 2023, our strategic investments in other financial assets were \$0.5 million and related primarily to the Indiva Investment, as described under "Recent Developments" above. Comparatively, in the nine months ended December 31, 2022, our strategic investments in other financial assets were \$67.2 million and related primarily to: (i) the upfront payment made as consideration for entering the Jetty Agreements (\$29.2 million); and (ii) the payment of the Option Premium in the amount of \$38.0 million (US\$28.5 million) in connection with Acreage Debt Optionholder's acquisition of an option to purchase the Acreage Debt from the Lenders, pursuant to the option agreement entered into with the Lenders in connection with the Reorganization.

Net redemptions of short-term investments in the nine months ended December 31, 2023 were \$68.3 million, as compared to net redemptions of \$415.3 million in the nine months ended December 31, 2022. The year-over-year decrease in the net redemptions reflects the continued redemption of our short-term investments, largely to fund operations and investing activities as described above. As at December 31, 2023, we had short-term investments remaining of \$43.4 million.

Net cash flow on sale of subsidiaries in the nine months ended December 31, 2023 was an outflow of \$3.7 million and related to the completion of the This Works Divestiture, refer to Note 27 of the financial statements for details. Comparatively, in the nine months ended December 31, 2022 an inflow of \$12.4 million resulted from the sale of certain wholly-owned subsidiaries.

Additional cash inflows during the nine months ended December 31, 2023 include proceeds of \$153.8 million from the sale of property, plant and equipment, primarily in relation to facilities that have been recently sold in connection with the restructuring actions associated with our Canadian cannabis operations and transition to an asset-light model.

Finally, other investing activities resulted in a cash outflow of \$9.2 million in the nine months ended December 31, 2023, primarily related to completing the purchase of the remaining 45% of the common shares of Les Serres Vert Cannabis Inc., in connection with the restructuring actions related to our Canadian cannabis operations initiated in the fourth quarter of fiscal 2023.

Financing activities

The cash used in financing activities in the nine months ended December 31, 2023 was \$473.5 million, as compared to cash used of \$145.9 million in the nine months ended December 31, 2022. In the nine months ended December 31, 2023, we made repayments of long-term debt in the amount of \$480.1 million. These repayments primarily related to the second payment made pursuant to the Paydown, the July 2023 Paydown, the Second Quarter 2024 Paydowns, the Third Quarter 2024 Paydowns and settlement of Canopy Notes.

Other financing activities resulted in a cash outflow of \$27.2 million, which related to: (i) payments made in connection with terminating the finance lease for the cultivation facility in Mirabel, Quebec and (ii) share issuance, debt issuance and debt extinguishment costs.

The cash used in financing activities was partially offset by proceeds from the Unit Offering of \$33.7 million.

Free Cash Flow (Non-GAAP Measure)

Free cash flow is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management believes that free cash flow presents meaningful information regarding the amount of cash flow required to maintain and organically expand our business, and that the free cash flow measure provides meaningful information regarding our liquidity requirements.

The following table presents free cash flows for the three and nine months ended December 31, 2023, and 2022:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended December 31,</u>		<u>Nine months ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net cash used in operating activities - continuing operations	\$ (33,348)	\$ (77,055)	\$ (205,961)	\$ (298,790)
Purchases of and deposits on property, plant and equipment - continuing operations	(564)	(1,868)	(3,200)	(6,176)
Free cash flow ¹ - continuing operations	<u>\$ (33,912)</u>	<u>\$ (78,923)</u>	<u>\$ (209,161)</u>	<u>\$ (304,966)</u>

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

Free cash flow in the three months ended December 31, 2023 was an outflow of \$33.9 million, as compared to an outflow of \$78.9 million in the three months ended December 31, 2022. The year-over-year decrease in the free cash outflow primarily reflects the decrease in cash used in operating activities, as described above.

Free cash flow for the nine months ended December 31, 2023 was an outflow of \$209.2 million, as compared to an outflow of \$305.0 million in the nine months ended December 31, 2022. The year-over-year decrease in the free cash outflow primarily reflects the decrease in cash used in operating activities, as described above.

Debt

Since our formation, we have financed our cash requirements primarily through the issuance of common shares of Canopy Growth, including the \$5.1 billion investment by CBI in the third quarter of fiscal 2019, and debt. Total debt outstanding as of December 31, 2023 was \$612.1 million, a decrease from \$1.3 billion as of March 31, 2023. The total principal amount owing, which excludes fair value adjustments related to the CBI Note, was \$626.6 million at December 31, 2023, a decrease from \$1.3 billion at March 31, 2023, which excludes fair value adjustments related to the Canopy Notes. These decreases were due to: (i) the repayment of \$125.6 million (US\$93.8 million) of the principal amount outstanding under the Credit Agreement as part of the Paydown, as described under "Recent Developments" above; (ii) the conversion, into Canopy Growth common shares, of the remaining amount outstanding under the Convertible Debentures of \$93.2 million; (iii) the June 2023 Exchange Transaction, which resulted in the

acquisition and cancellation of \$12.5 million of aggregate principal amount of the Canopy Notes from the Noteholders, partially offset by the issuance of the CBI Note in connection with the CBI Transaction; (iv) the July 13, 2023 Redemption Agreements, pursuant to which \$193 million aggregate principal amount was redeemed for a combination of cash, shares and the Debentures with an aggregate principal amount of approximately \$40.4 million; (v) the maturity of the remaining Canopy Notes due in July 2023 where the remaining \$31.9 million in aggregate principal was settled in cash; (vi) the Second Quarter 2024 Paydowns resulting in an aggregate principal reduction of \$73.3 million; (vii) settlement of the \$40.4 million of Debentures with Canopy Growth common shares; and (viii) the Third Quarter 2024 Paydowns resulting in an aggregate principal reduction of \$65.4 million.

Credit Facility

The Credit Agreement provides for the Credit Facility in the aggregate principal amount of US\$750.0 million.

The Company had the ability to obtain up to an additional US\$500.0 million of incremental senior secured debt pursuant to the Credit Agreement. As described above under “Recent Developments”, pursuant to the balance sheet actions completed in connection with the Reorganization, on October 24, 2022, we entered into agreements with certain of our lenders under the Credit Agreement pursuant to which we agreed to purchase in the aggregate US\$187.5 million of the principal amount outstanding under the Credit Facility at a discounted price of US\$930 per US\$1,000 or US\$174.4 million in the aggregate. The first payment, which was oversubscribed, in the amount of approximately \$117.5 million (US\$87.9 million) was made on November 10, 2022 to reduce the principal indebtedness under the Credit Facility by approximately \$126.3 million (US\$94.4 million). The second payment of approximately \$116.8 million (US\$87.2 million) was made on April 17, 2023 to reduce principal indebtedness under the Credit Facility by approximately \$125.6 million (US\$93.8 million). Additionally, on October 24, 2022, we and certain of our lenders agreed to make certain amendments to the Credit Agreement which, among other things, resulted in: (i) a reduction to the minimum liquidity covenant to no less than US\$100.0 million following completion of the second principal repurchase on April 17, 2023; (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\$100.0 million; and (iv) the elimination of the additional US\$500.0 million incremental term loan facility.

As described above under “Recent Developments”, on July 13, 2023, we entered into the Amended Credit Agreement. Pursuant to the Amended Credit Agreement we were required to make the July 2023 Paydown. In addition, pursuant to the Amended Credit Agreement we agreed to apply certain net proceeds from asset sales to prepay or repurchase principal indebtedness under the Credit Facility and receive principal reductions at, in certain circumstances, a discounted price of US\$950 per US\$1,000. The Amended Credit Agreement also includes, among other things, amendments to the minimum liquidity covenant such that the US\$100,000 minimum ceased to apply concurrently with the July 2023 Paydown. The July 2023 Paydown was made on July 21, 2023.

As described above under “Recent Developments”, on each of August 11, 2023 and September 14, 2023, pursuant to the terms of the Amended Credit Agreement, we repurchased additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales. The Second Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$73.3 million (US\$54.5 million) for a cash payment of \$69.6 million (US\$51.8 million).

As described above under “Recent Developments”, on each of November 28, 2023 and December 27, 2023, pursuant to the terms of the Amended Credit Agreement, we repurchased and repaid, as applicable, additional outstanding principal amounts under the Credit Facility using certain net proceeds from completed asset sales (the “Third Quarter 2024 Paydowns”). The Third Quarter 2024 Paydowns resulted in an aggregate principal reduction of \$65.4 million (US\$48.5 million) for a cash payment of \$63.2 million (US\$46.9 million).

The Credit Facility matures on March 18, 2026. Borrowings under the Credit Facility are available by either prime rate advances or SOFR advances. Prime rate advances bear interest at the applicable prime rate plus 7.50% per annum and are subject to a prime rate floor of 2.00%. SOFR advances bear interest at the adjusted term SOFR rate plus 8.50% per annum and are subject to an adjusted term SOFR rate floor of 1.00%. Our obligations under the Credit Facility are guaranteed by our material wholly-owned Canadian and U.S. subsidiaries. The Credit Facility is secured by substantially all of our assets and our material wholly-owned Canadian and U.S. subsidiaries, including material real property. The Credit Agreement contains representations and warranties, and affirmative and negative covenants.

Unsecured Senior Notes (the Canopy Notes)

In June 2018, we issued the Canopy Notes with an aggregate principal amount of \$600.0 million. The Canopy Notes bear interest at a rate of 4.25% per annum, payable semi-annually on January 15th and July 15th of each year commencing January 15, 2019. The Canopy Notes matured on July 15, 2023. In June 2022, in connection with the 2022 Exchange Transaction, we entered into the 2022 Exchange Agreements with the Noteholders and agreed to acquire and cancel approximately \$262.6 million of aggregate

principal amount of the Canopy Notes from the Noteholders for an aggregate purchase price (excluding \$5.4 million paid in cash to the Noteholders for accrued and unpaid interest) of \$260.0 million which was paid in our common shares.

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

On April 13, 2023, we entered into the April 2023 Exchange Agreement with Greenstar in order to acquire and cancel \$100.0 million aggregate principal amount of our outstanding Canopy Notes. Pursuant to the April 2023 Exchange Agreement, we agreed to acquire and cancel \$100.0 million aggregate principal amount of the Canopy Notes held by Greenstar in exchange for: (i) a cash payment to Greenstar in the amount of the unpaid and accrued interest owing under the Canopy Notes held by Greenstar; and (ii) the CBI Note. As a result, Greenstar no longer holds any Canopy Notes.

On June 29, 2023, we entered into the June 2023 Exchange Agreements with certain Noteholders to acquire and cancel \$12.5 million aggregate principal amount of the Canopy Notes from such Noteholders in exchange for cash, including accrued and unpaid interest owing under the Canopy Notes, and the issuance of approximately 2.43 million Canopy Growth common shares.

On July 13, 2023, we entered into the Redemption Agreements with certain Noteholders of our Canopy Notes, pursuant to which approximately \$193 million aggregate principal amount of the Canopy Notes were redeemed on the applicable closing date for: (i) an aggregate cash payment of approximately \$101 million; (ii) the issuance of approximately 9.04 million Canopy Growth common shares; and (iii) the issuance of approximately \$40.4 million aggregate principal amount of Debentures. The Debentures were issued pursuant to a debenture indenture dated July 14, 2023 between us and Odyssey Trust Company, as trustee. The Debentures are convertible into Debenture Shares at the option of the holder at any time or times following the Shareholder Approval until the maturity date of January 15, 2024, at a conversion price equal to \$5.50, subject to adjustment in certain events. Following the Redemption, we settled the remaining aggregate principal amount owing under the outstanding Canopy Notes and, as of the maturity date, there were no Canopy Notes outstanding.

As of September 30, 2023, all conversions pursuant to the Debentures have been completed and the amount outstanding under the Debentures was \$nil.

Supreme Cannabis Convertible Debentures and Accretion Debentures

On October 19, 2018, Supreme Cannabis issued 6.0% senior unsecured convertible debentures (the “Supreme Debentures”) for gross proceeds of \$100.0 million. On September 9, 2020, the Supreme Debentures were amended to effect, among other things: (i) the cancellation of \$63.5 million 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 \$2.85.

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 \$36.5 million to a maximum of \$13.5 million, compounding on a semi-annual basis commencing on September 9, 2020, and ending on September 9, 2023. As of September 9, 2023, the principal amount of the Accretion Debentures was finalized as \$10.4 million. The Accretion Debentures are payable in cash, but do not bear cash interest and are not convertible into 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 arrangement (the “Supreme Arrangement”) we completed with Supreme Cannabis on June 22, 2021 pursuant to which we acquired 100% of the issued and outstanding common shares of Supreme Cannabis (the “Supreme Shares”), 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, we, Supreme Cannabis and Computershare Trust Company of Canada (the “Trustee”) entered into a supplemental indenture whereby we agreed to issue common shares upon conversion of any Supreme Debenture. In addition, we may force conversion of the Supreme Debentures outstanding with 30 days’ notice if the daily volume weighted average trading price of our common shares is greater than \$385.90 for any 10 consecutive trading days. We, Supreme

Cannabis and the Trustee entered into a further supplemental indenture whereby we agreed to guarantee the obligations of Supreme Cannabis pursuant to the Supreme Debentures and the Accretion Debentures. During the three and nine months ended December 31, 2023 principal payments on Accretion Debentures totaled \$1,500 and \$2,000, respectively.

Prior to September 9, 2023, the Supreme Debentures were 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.

Convertible Debentures

On February 21, 2023, we entered into the Convertible Debenture Agreement with an Institutional Investor pursuant to which the Institutional Investor purchased \$135.2 million (US\$100.0 million) aggregate principal amount of Convertible Debentures in a registered direct offering. The Convertible Debentures were convertible into our common shares at the option of the Institutional Investor at any time or times prior to the maturity date of February 28, 2028, at a conversion price equal to 92.5% of the volume-weighted average price of our common shares during the three consecutive trading days ending on the business day immediately prior to the date of conversion. No cash payment or any other property of Canopy Growth was made by us to the Institutional Investor in connection with, or as a result of, the issuance, conversion or repayment of the Convertible Debentures.

In the first quarter of fiscal 2024, \$93.2 million in aggregate principal amount of the Convertible Debentures was converted for approximately 8.45 million Canopy Growth common shares. As of June 30, 2023, all conversions pursuant to the Convertible Debentures were completed and the amount outstanding under the Convertible Debentures was \$nil.

Contractual Obligations and Commitments

Other than changes to our Canopy Notes pursuant to the June 2023 Exchange Transactions, the July 13, 2023 Redemption Agreements, the Second Quarter 2024 Paydowns, the Third Quarter 2024 Paydowns, and certain agreements entered into in connection with the Reorganization and the Reorganization Amendments, as described above under “Recent Developments”, there have been no material changes to our contractual obligations and commitments from the information provided in the MD&A section in our Annual Report.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in the MD&A section in our Annual Report.

Impairment of goodwill

We do not believe that an event occurred or circumstances changed during the third quarter of fiscal 2024 that would, more likely than not, reduce the fair value of the Storz & Bickel reporting unit below its carrying value. Therefore, we concluded that the quantitative goodwill impairment assessment was not required for the Storz & Bickel reporting unit at December 31, 2023. The carrying value of goodwill associated with the Storz & Bickel reporting unit was \$85,237 at December 31, 2023.

We are required to perform our next annual goodwill impairment analysis on March 31, 2024, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential economic loss arising from adverse changes in market factors. As a result of our global operating, acquisition and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, interest

rates and equity prices. To manage the volatility relating to these risks, we may periodically purchase derivative instruments including foreign currency forwards. We do not enter into derivative instruments for trading or speculative purposes.

Foreign currency risk

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

A hypothetical 10% change in the U.S. dollar against the Canadian dollar compared to the exchange rate at December 31, 2023, would affect the carrying value of net assets by approximately \$66.6 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income (loss). A hypothetical 10% change in the euro against the Canadian dollar compared to the exchange rate at December 31, 2023, would affect the carrying value of net assets by approximately \$24.0 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income (loss).

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

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

Interest rate risk

Our cash equivalents and short-term investments are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. As at December 31, 2023, our cash and cash equivalents, and short-term investments consisted of \$99 million in interest rate sensitive instruments (March 31, 2023 – \$0.3 billion).

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

	Aggregate Notional Value		Fair Value		Decrease in Fair Value - Hypothetical 1% Rate Increase	
	December 31, 2023	March 31, 2023	December 31, 2023	March 31, 2023	December 31, 2023	March 31, 2023
Unsecured senior notes	\$ -	\$ 337,380	\$ -	\$ 331,250	\$ -	\$ (1,552)
Promissory note	100,000	-	85,486	-	(678)	-
Fixed interest rate debt	39,480	135,573	N/A	N/A	N/A	N/A
Variable interest rate debt	487,108	840,058	N/A	N/A	N/A	N/A

Equity price risk

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

Information regarding the fair value of financial instrument assets and liabilities that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value is presented in Note 23 of the Interim Financial Statements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, and summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were not effective as of such date due to the material weakness in our internal control over financial reporting related to information technology ("IT") general controls that were disclosed in Item 9A of the Annual Report.

Previously Reported Material Weaknesses

As previously disclosed in Item 9A of the Annual Report, we previously identified material weaknesses in our internal control over financial reporting relating to:

- The accounting for sales recorded by the BioSteel segment, which resulted in material misstatements relating to revenue and trade receivables, particularly with respect to the timing and amount of revenue recognition. Specifically, we did not design and maintain effective controls to sufficiently assess the timing, amount, and appropriateness of revenue recognition. This included a lack of segregation of duties in the review of customer orders, inadequate controls over the review and approval of sales returns, and inadequate controls relating to revenue recognition policies and procedures. This also contributed to the failure to impair goodwill related to the BioSteel reporting unit on a timely basis as changes in the performance of BioSteel were not identified in a timely manner, and the failure to accurately record the redeemable noncontrolling interest; and
- IT general control deficiencies that aggregated to a material weakness. These deficiencies specifically related to: (i) logical access management, including untimely periodic access review, access provisioning and modification, removal of user access and change management controls with respect to a payroll system implemented during the year; and (ii) untimely and inconsistent monitoring and oversight of third-party service organizations. Although we have identified no instances of any adverse effects due to these deficiencies, business processes that depend on the affected information systems or that depend on data from the affected information systems, could be adversely impacted.

Status of Remediation of Material Weaknesses in Internal Control over Financial Reporting

Management has developed a remediation plan to address the previously disclosed material weaknesses for which we implemented process and control improvements.

IT General Controls

Management continues to make progress in the remediation of all IT general control individual deficiencies that corresponded to the material weakness. The completed remediation actions include:

- Improving the privileged access review process and performing a review of all in-scope systems for privileged user access;
- Performing a review of the tools and improving the process relied upon to ensure users terminations or transfers are timely updated in systems;
- Improving the access approval requirements to ensure all access requests are properly approved and documented prior to granting/modifying user access;
- Adding a dedicated resource to support and perform key IT general controls, including privileged access review and review of third-party service organization control reports to assess their impact in relation to the control environment. Additionally, training on third-party service organization control reports review was delivered to relevant control owners; and

- Improving the retention of evidence for testing and approval of system changes.
- Training on strengthening Canopy Growth's control environment was completed for all key stakeholders.

BioSteel business-to-business sales

Effective September 14, 2023, Canopy Growth no longer has a controlling interest in BioSteel Sports Nutrition Inc. ("BioSteel Canada"), and effective November 16, 2023, Canopy Growth no longer has a controlling interest in BioSteel Manufacturing, LLC ("BioSteel Manufacturing") and BioSteel Sports Nutrition USA LLC. Further, during November 2023, Canopy Growth completed the sale of substantially all of the assets of BioSteel Canada and BioSteel Manufacturing. As a result, the BioSteel segment is no longer considered part of management's internal control over financial reporting and the material weakness previously identified in our internal controls is no longer applicable to Canopy Growth.

To remediate the existing material weakness on IT general controls, additional time is required to demonstrate the effectiveness of the remediation efforts. The material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We may also conclude that additional measures may be required to remediate the material weakness in our internal control over financial reporting, which may necessitate further action. Remediation actions are subject to ongoing senior management review as well as oversight by the Audit Committee of the Board.

Changes in Internal Control over Financial Reporting.

We are taking actions to remediate the material weakness relating to our internal control over financial reporting as described above. Except as discussed above, there were no changes in our "internal control over financial reporting" (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Other than as disclosed below, we are not aware of: (a) any legal proceedings to which we are a party, or to which any of our properties is subject, which would be material to us or of any such proceedings being contemplated, (b) any penalties or sanctions imposed by a court relating to securities legislation, or other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor making an investment decision, and (c) any settlement agreements that we have entered into before a court relating to securities legislation or with a securities regulatory authority.

On May 23, 2023, an ostensible shareholder commenced a putative class action (Turpel v. Canopy Growth Corporation, et al., Case No. 1:23-cv-043022-PAE) against the Company and two of its officers in the U.S. District Court for the Southern District of New York on behalf of persons and entities that purchased or otherwise acquired the Company's securities between May 31, 2022 and May 10, 2023, alleging violations of U.S. federal securities laws. Two similar cases were subsequently filed, captioned as Kantner v. Canopy Growth Corporation, et al., Case No. 1:23-cv-06266-PAE and Allen v. Canopy Growth Corporation, et al., Case No. 1:23-cv-05891-PAE. On November 30, 2023, the U.S. District Court for the Southern District of New York consolidated the Turpel, Kantner and Allen actions (captioned as "In re Canopy Growth Securities Litigation, No. 23-cv-04302") and appointed Chen Li as lead plaintiff. On January 22, 2024, the lead plaintiff filed a first amended complaint against the Company and certain of its current and former officers, alleging claims on behalf of persons and entities that purchased or otherwise acquired the Company's securities between November 5, 2021 and June 22, 2023. The first amended complaint alleges that the Company made false or misleading statements and omissions regarding BioSteel's revenue, performance and operations, and the Company's internal controls over accounting and financial reporting in violation of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The lead plaintiff seeks an unspecified amount of damages, attorneys' fees and costs, and other relief. The Company anticipates filing a motion to dismiss the first amended complaint on or before March 7, 2024.

On January 18, 2024, a follow-on derivative shareholder lawsuit, captioned Press v. Schmeling et al., was filed in the Supreme Court of the State of New York by ostensible shareholder Denise Press on behalf of Canopy Growth Corporation against the Company's directors and certain of its officers based on substantially the same allegations as those alleged in the In re Canopy Growth Securities Litigation described above. The complaint asserts claims for breach of fiduciary duties, gross mismanagement, waste of corporate assets, unjust enrichment, and insider trading, and seeks damages, attorneys' fees and costs, and equitable relief.

On June 27, 2023, an ostensible shareholder commenced a putative class action (Dziedziejko v. Canopy Growth Corporation et al., Court File No. CV-23-00701769-00CP) in the Ontario Superior Court of Justice against the Company, two of its officers, and the Company's auditor on behalf of a putative class of all persons or entities who acquired Canopy's securities in the secondary market between June 1, 2021 to June 22, 2023 and held some or all of those securities until the close of trading on May 10, 2023 or June 22, 2023.

The plaintiff alleges that the Company's disclosures contained misrepresentations within the meaning of the Securities Act (Ontario), that certain officers authorized, permitted, or acquiesced in the release of the impugned disclosures, that the Company and one of its officers acted in a manner that was oppressive or unfairly prejudicial to the proposed class members by failing to remedy alleged deficiencies in the Company's internal controls, and that all of the defendants are liable for damages to the putative class. The action seeks an unspecified amount of damages, interest, legal fees, and the costs of administering a plan of distribution of the recovery. The Company was also named in two other putative class proceedings that were commenced between May 2023 and July 2023 in the Ontario Superior Court of Justice regarding that the Company's disclosures contained misrepresentations. However, on November 10, 2023, the Ontario Superior Court of Justice decided a carriage motion staying those actions (Leonard v. Canopy Growth Corporation et al., Court File No. CV-23-00702281-00CP and Twidale v. Canopy Growth Corporation et al., Court File No. CV-23-00700135-00CP), and allowing Dziedziejko v. Canopy Growth Corporation et al., Court File No. CV-23-00701769-00CP to proceed to a class certification hearing.

On June 15, 2023, an ostensible shareholder commenced a putative class action (Asmaro v. Canopy Growth Corporation et al., Court File No. VLC-S-S-234351) against the Company and two of its officers in the Supreme Court of British Columbia on behalf of a putative class of all persons and entities who purchased or otherwise acquired securities of the Company between August 6, 2021 and May 10, 2023. The lawsuit alleges that the Company's disclosures contained misrepresentations within the meaning of the Securities Act (British Columbia), that certain officers authorized, permitted, or acquiesced in the release of the impugned disclosures, and that all of the defendants are liable for damages to the putative class. The plaintiff seeks an unspecified amount of damages.

In May 2023, in connection with the Company's internal review of the financial reporting matters related to BioSteel, as previously disclosed in the Annual Report (the "BioSteel Review"), the Company voluntarily self-reported to the SEC that the timing and amount of revenue recognition in the BioSteel segment were under review. As a result of self-reporting the BioSteel Review, the

Company is the subject of an ongoing investigation by the SEC. Although the Company is fully cooperating with the SEC and continues to voluntarily respond to requests in connection with this matter, it cannot predict when such matters will be completed or the outcome and potential impact. Any remedial measures, sanctions, fines or penalties, including, but not limited to, financial penalties and awards, injunctive relief and compliance conditions, imposed on the Company in connection with this matter could have a material adverse impact on our business, financial condition and results of operations. See “Risk Factors—Risks Relating to the Restatement of the Prior Financial Statements—As a result of self-reporting the BioSteel Review, the Company is the subject of an investigation by the SEC and an ongoing informal inquiry by regulatory authorities in Canada, and it cannot predict the timing of developments, and any adverse outcome of these continuing matters could have a material adverse effect on the Company” under Item 1A of the Annual Report.

On December 29, 2023, a Request for Arbitration was made identifying the Company, one of its subsidiaries, and another entity as respondents. The Claimant seeks damages in the amount of USD \$32,666,667 against the respondents based on alleged breaches of a Share Purchase Agreement (“SPA”), including breaches of the duty of good faith and honest performance in relation to certain milestone payments in the SPA.

The Company denies any alleged misconduct and liability for each of the claims asserted in the above-noted Court and Arbitral Proceedings, believes that the defendants/respondents have meritorious defenses to the claims, and expects to vigorously defend the claims, although the Company cannot predict when or how they will be resolved or estimate what the potential loss or range of loss would be, if any.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not currently a party to any other legal proceedings other than described above, the outcome of which, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition, results of operations or prospects. Please refer to “Risk Factors” under Item 1A of the Annual Report for further discussion.

Item 1A. Risk Factors.

For information regarding factors that could affect our results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A in the Annual Report. Except as set forth below, there have been no material changes to the risk factors previously disclosed in Part I, Item 1A in our Annual Report.

There can be no certainty that all conditions to the Floating Share Arrangement and the Acreage Amending Agreement will be satisfied or waived, including, in the case of the Floating Share Arrangement, obtaining approval of the Amendment Proposal by the Exercise Outside Date, which may result in the acquisition of Acreage not being completed.

There can be no certainty, nor can the Company provide any assurance, that all conditions precedent contained in the Floating Share Arrangement Agreement and the Acreage Amending Agreement will be satisfied or waived, including that the current Exercise Outside Date of March 31, 2024 is extended or in the event of a default pursuant to the Acreage Debt. In addition, the Floating Share Arrangement is subject to certain conditions precedent which, among other things, includes the receipt of approval from the Company’s shareholders on the Amendment Proposal by the Exercise Outside Date. There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If such conditions precedent are not satisfied, it may result in the acquisition of Acreage not being completed.

Acreage’s financial statements express doubt about its ability to continue as a going concern.

Acreage’s publicly available financial statements as of and for three and nine months ended September 30, 2023 filed with the SEC on November 14, 2023 (“Acreage’s September 30, 2023 Interim Financial Statements”) express doubt about Acreage’s ability to continue as a going concern. In particular, Acreage’s September 30, 2023 Interim Financial Statements state: “[Acreage] had an accumulated deficit as of September 30, 2023, as well as a net loss and negative cash flow from operating activities for the nine months ended September 30, 2023. Additionally, subsequent to quarter end [Acreage] was temporarily in default of the [Hempco Debenture, pursuant to which a subsidiary of Acreage owed approximately \$46.8 million to a subsidiary of Canopy Growth as of September 30, 2023][. . .] These factors raise substantial doubt about [Acreage]’s ability to continue as a going concern for at least one year from the issuance of these financial statements.” In the event that Acreage is unable to continue as a going concern, the Acreage Amended Arrangement and the Floating Share Arrangement may not be completed. In the event that the Acreage Amended Arrangement and the Floating Share Arrangement are completed and Acreage is unable to continue as a going concern, this would have a negative impact on Canopy USA’s business, financial results and operations and have an adverse impact on the Company’s United States strategy, and, ultimately, the Company’s financial results and operations.

In view of the foregoing, Acreage's continuation as a going concern is dependent upon its continued operations, which in turn is dependent upon, among other things, Acreage's ability to meet its financial requirements. There is no assurance that Acreage will be successful in its plans to fund its operations and debt obligations as they become due and payable. Accordingly, in the event Acreage cannot satisfy its debt obligations as they become due, we may lose the Option Premium. In addition, Acreage may be required to terminate or significantly curtail its operations or enter into arrangements with third parties that may require Acreage to relinquish rights to certain aspects of its business and/or dispose of certain assets, which may ultimately result in Acreage not being able to satisfy the conditions in the Amended Acreage Arrangement and the Floating Share Arrangement and the acquisition of Acreage not being completed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Resignation of Robert Hanson

On February 6, 2024, Robert Hanson provided notice to the Company of his decision to resign from the Board of the Company, effective the same date. Mr. Hanson served as a member of the Corporate Governance, Compensation and Nominating Committee of the Board. Mr. Hanson's resignation from the Board was not the result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Appointments of Luc Mongeau and Willy Kruh

On February 7, 2024, on the recommendation of the Corporate Governance, Compensation and Nominating Committee the Board voted to increase the size of the Board to eight members and appoint each of Mr. Luc Mongeau and Mr. Willy Kruh to the Board effective immediately. Each of Mr. Mongeau and Mr. Kruh shall serve as a director of the Company until the next annual general meeting of shareholders or until his earlier death, resignation, or removal. Mr. Kruh will serve as a member of the Audit Committee and Mr. Mongeau will serve as a member of the Corporate Governance, Compensation and Nominating Committee.

The Board has determined that each of Mr. Mongeau and Mr. Kruh is independent under applicable Nasdaq listing rules. There is no arrangement or understanding between either of Mr. Mongeau and Mr. Kruh and any other person pursuant to which he was appointed as a director of the Company. There are no family relationships between each of Mr. Mongeau and Mr. Kruh and any director or executive officer of the Company or its subsidiaries. Neither Mr. Mongeau nor Mr. Kruh have a direct or indirect material interest in any transaction that would require disclosure under Item 404(a) of Regulation S-K.

In accordance with the Company's customary practice, the Company has entered into its standard form of indemnification agreement with each of Mr. Mongeau and Mr. Kruh, which requires the Company to indemnify each director against certain liabilities that may arise as result of his status or service as a director. The Company's Form of Director and Officer Indemnity Agreement is filed as Exhibit 10.1 to its Form 10-K for the fiscal year ended March 31, 2022, which was filed with the SEC on May 31, 2022.

In connection with the appointments to the Board, each of Mr. Mongeau and Mr. Kruh will be compensated in accordance with the Company's director compensation program as described in the Company's filings with the SEC.

Rule 10b5-1 Trading Arrangements

During the three months ended December 31, 2023, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) informed us of the adoption or termination of a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement", as each term is defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
3.1	<u>Certificate of Incorporation and Articles of Amendment of Canopy Growth Corporation (incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).</u>
3.2	<u>Amendment to Articles of Canopy Growth Corporation (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on December 18, 2023).</u>
3.3	<u>Bylaws of Canopy Growth Corporation (incorporated by reference to Exhibit 3.2 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021, filed with the SEC on November 8, 2021).</u>
10.1	<u>Fifth Amendment to Arrangement Agreement, dated December 29, 2023, by and among Canopy Growth Corporation, Canopy USA, LLC and Acreage Holdings, Inc. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the SEC on January 2, 2024).</u>
10.2*	<u>Second Amended and Restated Protection Agreement, dated as of January 25, 2024, by and among Canopy USA, LLC, 11065220 Canada Inc. and Canopy Growth Corporation.</u>
31.1*	<u>Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** This exhibit shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act or the Exchange Act.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SECOND AMENDED AND RESTATED PROTECTION AGREEMENT

CANOPY USA, LLC

- and -

11065220 CANADA INC.

- and -

CANOPY GROWTH CORPORATION

January 25, 2024

TABLE OF CONTENTS

1.	DEFINITIONS.	4
2.	CONDUCT OF BUSINESS OF THE COMPANY.	11
	(a) <i>Conduct</i>	11
	(b) <i>Restrictions</i>	11
	(c) <i>Obligations</i>	13
	(d) <i>Notices</i>	14
	(e) <i>Updates</i>	15
	(f) <i>Annual Business Plan</i>	15
	(g) <i>Manager Rights</i>	15
	(h) <i>Access</i>	16
	(i) <i>Audit</i>	16
	(j) <i>Investigations</i>	16
	(k) <i>Public Announcements</i>	16
	(l) <i>Government Filings</i>	16
	(m) <i>Exercise of Conditional Options</i>	16
	(n) <i>TerrAscend Conversion</i>	17
	(o) <i>Acreage Acquisition</i>	17
3.	REPRESENTATIONS AND WARRANTIES.	17
4.	MISCELLANEOUS.	19
	(a) <i>Successors and Assigns</i>	19
	(b) <i>Governing Law</i>	20
	(c) <i>Counterparts</i>	20
	(d) <i>Titles and Subtitles</i>	20
	(e) <i>Notices</i>	20
	(f) <i>Amendments and Waivers</i>	20
	(g) <i>Further Assurances</i>	20
	(h) <i>No Third-Party Beneficiaries</i>	20
	(i) <i>Publicity</i>	20
	(j) <i>Severability</i>	21
	(k) <i>Entire Agreement</i>	21

(l)	<i>Injunctive Relief</i>	21
(m)	<i>Costs and Expenses</i>	21
(n)	<i>Construction</i>	21
(o)	<i>Waiver of Jury Trial</i>	22
(p)	<i>Exclusive Venue</i>	22
(q)	<i>Acknowledgement</i>	22
(r)	<i>Control of the Business</i>	22
(s)	<i>Delays or Omissions</i>	23

SECOND AMENDED AND RESTATED PROTECTION AGREEMENT

THIS SECOND AMENDED AND RESTATED PROTECTION AGREEMENT made effective the _____ day of January, 2024.

AMONG:

11065220 Canada Inc., a corporation existing under the federal laws of Canada
(“**Canopy Sub**”)

- and -

Canopy USA, LLC, a limited liability company existing under the laws of the State of Delaware
(the “**Company**”)

- and -

Canopy Growth Corporation, a corporation existing under the federal laws of Canada
(“**Canopy**”)

(collectively, the “**Parties**” or individually, the “**Party**” as the context requires)

WHEREAS Canopy Sub currently owns non-voting, non-participating exchangeable shares of the Company (“**Exchangeable Shares**”), which are convertible into class B shares of the Company (the “**Class B Shares**”);

AND WHEREAS Canopy Sub currently owns class B units (“**New LP I Exchangeable Units**”) of Canopy USA I Limited Partnership (“**New LP I**”), which are convertible into class A units of New LP I (“**New LP I Class A Units**”);

AND WHEREAS the New LP I Exchangeable Units are non-voting, non-participating shares of New LP I;

AND WHEREAS Canopy currently owns class B units (“**New LP II Exchangeable Units**”) of Canopy USA II Limited Partnership (“**New LP II**”), which are convertible into class A units of New LP II (“**New LP II Class A Units**”);

AND WHEREAS the New LP II Exchangeable Units are non-voting, non-participating shares of New LP II;

AND WHEREAS Canopy currently owns class B units (“**New LP III Exchangeable Units**”) of Canopy USA III Limited Partnership (“**New LP III**”), which are convertible into class A units of New LP III (“**New LP III Class A Units**”);

AND WHEREAS the New LP III Exchangeable Units are non-voting, non-participating shares of New LP III;

AND WHEREAS the Company is the general partner of New LP I, New LP II and New LP III;

AND WHEREAS the Parties entered into a protection agreement (the “**Original Protection Agreement**”) dated October 24, 2022 in order for the Company to provide Canopy Sub and Canopy certain assurances that it will not intentionally erode the value of the Exchangeable Shares, the New LP I Exchangeable Units, the New LP II Exchangeable Units or the New LP III Exchangeable Units;

AND WHEREAS the Parties entered into an amended and restated protection agreement (the “**Amended and Restated Protection Agreement**”) dated May 19, 2023;

AND WHEREAS the Parties wish to amend and restate the terms of the Amended and Restated Protection Agreement, as provided in this Agreement;

NOW THEREFORE in consideration of the foregoing premises, which are an integral part hereof, and in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS.

In addition to the terms defined elsewhere in this Agreement, for purposes of this Agreement:

- (a) **“Acreage”** means Acreage Holdings, Inc., a corporation existing under the laws of the Province of British Columbia;
- (b) **“Acreage Acquisition”** has the meaning ascribed thereto in Section 2(o);
- (c) **“Agreement”** means this second amended and restated protection agreement, which amends and restates the Amended and Restated Protection Agreement, as the same may be amended, supplemented or restated.
- (d) **“Affiliate”** means, with respect to the Person to which it refers, (i) a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such Person, (ii) any officer, director or shareholder of such Person, (iii) any parent, sibling, descendant or spouse of such Person or of any of the Persons referred to in clauses (i) and (ii), and (iv) any corporation, limited liability company, general or limited partnership, trust, association or other business or investment entity that directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with any of the foregoing individuals. For purposes of this definition, the term “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise;
- (e) **“Amended Interim Period”** means the period commencing on the date hereof until the latest of such time as (i) all of the Exchangeable Shares held by Canopy Sub are, at the sole discretion of Canopy Sub, converted into Class B Shares; (ii) all of the New LP I Exchangeable Units held by Canopy Sub are, at the sole discretion of Canopy Sub, converted into New LP I Class A Units; (iii) all of the New LP II Exchangeable Units held by Canopy are, at the sole discretion of Canopy, converted into New LP II Class A Units; and (iv) all of the New LP III Exchangeable Units held by Canopy are, at the sole discretion of Canopy, converted into New LP III Class A Units;
- (f) **“Authorization”** means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Body having jurisdiction over the Person necessary to carry on its business as now being conducted;
- (g) **“Business Day”** means any day that is not a Saturday, Sunday or any other day on which banks are required or authorized by Law to be closed in New York, New York or Toronto, Ontario;
- (h) **“Business Plan”** means for the subsequent 12-month period, broken-down by month: (i) a description of proposed operations of the Company and its Subsidiaries; (ii) a forecast for the Company and its Subsidiaries, in the form attached hereto as Exhibit A, that includes: (A) an income statement, including estimated Gross Sales, promotions and discounts, Net Sales, COGS, gross profit, Marketing Expenditures, CAM, operating expenses, operating profit, other expenses, pre-Tax income, after-Tax income; (B) a cash flow statement; (C) a balance sheet; (D) a capital expenditure plan; and (E) estimated EBITDA; and (iii) such other matters as the Company may reasonably consider to be necessary to illustrate the results intended to be achieved by the Company during such 12-month period;

- (i) “**CAM**” means Net Sales less (i) COGS; and (ii) Marketing Expenditures;
- (j) “**Cannabis**” means (i) all living or dead material, plants, seeds, plant parts or plant cells from any cannabis species or subspecies other than Hemp, including wet and dry material, trichomes, oil and extracts from cannabis other than Hemp (including cannabinoid or terpene extracts from any cannabis plant other than Hemp), and (ii) biologically or synthetically synthesized analogs of cannabinoids extracted, using micro-organisms, from any cannabis plant other than Hemp;
- (k) “**Canopy**” has the meaning ascribed thereto in the preamble to this Agreement;
- (l) “**Canopy Shares**” means common shares in the capital of Canopy;
- (m) “**Canopy Sub**” has the meaning ascribed thereto in the preamble to this Agreement;
- (n) “**Class A Shares**” means the class A shares of the Company;
- (o) “**Class B Shares**” has the meaning ascribed thereto in the recitals to this Agreement;
- (p) “**CBG**” means CBG Holdings LLC, a limited liability company existing under the laws of the State of Delaware;
- (q) “**COGS**” means the cost of goods sold as determined in accordance with U.S.GAAP;
- (r) “**Company**” has the meaning ascribed thereto in the preamble to this Agreement;
- (s) “**Company Board**” means the board of managers of the Company as constituted from time to time;
- (t) “**Company Employees**” means the employees of the Company (if any) and its Subsidiaries;
- (u) “**Conditional Options**” means the Jetty Options, the Wana Options and the Cultiv8 Option;
- (v) “**Contract**” means any oral or written contract, obligation, understanding, commitment, lease, license, instrument, purchase order, bid or other agreement;
- (w) “**Copyrights**” means any and all works of authorship, copyrightable subject matter, copyrights, mask works, and database rights, together with all website content, source code, computer programs, digital content, forms, manuals, reports, guidelines, labels, documents, advertising materials, promotional materials, and marketing materials, all translations, derivative works, adaptations, compilations and combinations of the foregoing, and all applications, registrations and renewals in connection therewith;
- (x) “**Cultiv8 Option**” means the option to acquire 19.99% of the Membership Interests of Cultiv8 Interests LLC pursuant to an option agreement dated December 22, 2021 between Canopy Growth USA, LLC and Ad Astra Holdings LLC;
- (y) “**Debt**” means any (i) obligations relating to indebtedness for borrowed money; (ii) obligations evidenced by bonds, notes, debentures or similar instruments; (iii) obligations in respect of capitalized leases (calculated in accordance with U.S. GAAP); (iv) obligations for the deferred purchase price of property or services; (v) obligations in the nature of guarantees of obligations of the type described in clauses (i) through (iv) above of any other Person; and (vi) all accrued interest in respect of any of the foregoing and any applicable prepayment, redemption, breakage, make-whole or other premiums, fees or penalties;
- (z) “**Domain Names**” means any and all Internet addresses and domain names, together with all applications, registrations and renewals in connection therewith;
- (aa) “**EBITDA**” means, in respect of any fiscal period, the consolidated net income (loss) of the Company in such fiscal period plus without duplication and to the extent deducted in determining

- consolidated net income (loss) for such period, the sum of (i) interest expense for such period, (ii) income tax expense for such period, and (iii) all amounts attributable to depreciation and amortization expense for such period, all elements as determined in accordance with U.S. GAAP;
- (bb) **“Elevate Debt”** means the Debt owing pursuant to (i) an interest bearing loan with a principal amount of US\$47,437,648 advanced by Canopy Sub to Canopy Elevate I, LLC on April 14, 2022; (ii) an interest bearing loan with a principal amount of US\$147,360,762 advanced by Canopy Sub to Canopy Elevate II, LLC on April 14, 2022; and (iii) an interest bearing loan with a principal amount of US\$4,037,447 advanced by Canopy Sub to Canopy Elevate III, LLC on April 14, 2022, as each of the foregoing may be amended, restated, amended and restated, extended, replaced, supplemented or otherwise modified from time to time, provided that any refinancing thereof shall not exceed the principal amount being refinanced plus any unpaid interest, costs, fees and other reasonable expenses;
- (cc) **“Exchangeable Shares”** has the meaning ascribed thereto in the recitals to this Agreement;
- (dd) **“Fair Market Value”** means, (i) if the Canopy Shares or the Parent Shares, as applicable, are listed on only one stock exchange, the volume weighted average trading price per Canopy Share or the Parent Share, as applicable, on such stock exchange during the immediately preceding five Trading Days; or (ii) if the Canopy Shares or the Parent Shares, as applicable, are listed on more than one stock exchange, the price as determined in accordance with clause (i) above for the primary stock exchange on which the greatest volume of trading of the Canopy Shares or the Parent Shares, as applicable, occurred during the immediately preceding five Trading Days;
- (ee) **“Governmental Body”** means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the above; (iii) any quasi- governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (iv) any stock exchange;
- (ff) **“Greenstar”** means Greenstar Canada Investment Limited Partnership, a partnership existing under the laws of the Province of British Columbia;
- (gg) **“Gross Sales”** means gross sales or revenue as determined in accordance with U.S. GAAP;
- (hh) **“Hemp”** has the meaning set forth in Section 297A of the Agricultural Marketing Act of 1946 (7 U.S.C. § 1621 et seq.), as amended by Public Law No. 115-334, and as may be further amended from time to time;
- (ii) **“Intellectual Property”** means all intellectual property, intellectual property rights and all proprietary rights of any type in any jurisdiction throughout the world, whether registered or unregistered, whether published or not published, including the following and all rights of the following types, together with all rights, title and interests otherwise pertaining to or deriving from: (i) Patents; (ii) Trademarks; (iii) Copyrights; (iv) Proprietary Information; (v) Domain Names; (vi) Social Media Identifiers; (vii) all design rights, economic rights, moral rights, publicity rights, privacy rights and shop rights; (viii) all Software; (ix) all intellectual property licenses and sublicenses; (x) all rights to claim priority to, file an application for, and obtain a grant, renewal and extension in connection with any of the foregoing; (xi) all applications, registrations and renewals in connection with any of the foregoing; (xii) all rights to assert, defend and recover title in connection with any of the foregoing; (xiii) all rights to sue and recover for any past, present and future infringement, misappropriation, violation, damages, lost profits, royalties, payments and proceeds in connection with any of the foregoing; (xiv) all other intellectual property or proprietary rights; and (xv) all copies and tangible embodiments of any of the foregoing;

- (jj) “**Jetty Options**” means the options to acquire Lemurian, Inc. pursuant to two option agreements dated May 17, 2022 between Canopy and/or Canopy Oak, LLC and the other parties named therein;
- (kk) “**Law**” means any foreign or domestic federal, state or local law, statute, code, ordinance, regulation, rule, directive, consent agreement, constitution or treaty of any Governmental Body, including common law, other than the U.S. Federal Cannabis Laws;
- (ll) “**Liability**” means any liability, whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due;
- (mm) “**Lien**” means any lien, mortgage, pledge, encumbrance, charge, security interest, adverse claim, liability, interest, charge, preference, priority, proxy, transfer restriction (other than restrictions under the Securities Act and state securities laws), encroachment, lien for Taxes, order, community property interest, equitable interest, option, warrant, right of first refusal, easement, profit, license, servitude, right of way, covenant or zoning restriction;
- (nn) “**Manager Appointee**” has the meaning ascribed thereto in Section 2(h) of this Agreement;
- (oo) “**Marketing Expenditures**” means all expenditures incurred in connection with marketing, advertising, promotions, trade-shows, sponsorship and endorsements;
- (pp) “**Net Sales**” means Gross Sales less discounts, buy-downs, bona fide returns and refunds and exclusive of the amount of any tax or fee imposed by any Governmental Body directly on Gross Sales, including any excise Taxes and/or Taxes collected from customers if such Tax is added to the selling price actually remitted to such Governmental Body;
- (qq) “**New LP I**” has the meaning ascribed thereto in the recitals to this Agreement;
- (rr) “**New LP I Class A Units**” has the meaning ascribed thereto in the recitals to this Agreement;
- (ss) “**New LP I Exchangeable Units**” has the meaning ascribed thereto in the recitals to this Agreement;
- (tt) “**New LP II**” has the meaning ascribed thereto in the recitals to this Agreement;
- (uu) “**New LP II Class A Units**” has the meaning ascribed thereto in the recitals to this Agreement;
- (vv) “**New LP II Exchangeable Units**” has the meaning ascribed thereto in the recitals to this Agreement;
- (ww) “**New LP III**” has the meaning ascribed thereto in the recitals to this Agreement;
- (xx) “**New LP III Class A Units**” has the meaning ascribed thereto in the recitals to this Agreement;
- (yy) “**New LP III Exchangeable Units**” has the meaning ascribed thereto in the recitals to this Agreement;
- (zz) “**Operating Cash Flow**” means cash flows from operating activities as calculated in accordance with U.S. GAAP;
- (aaa) “**Ordinary Course of Business**” means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) as the same may evolve from time to time and subject to any commercially reasonable changes to the foregoing to accommodate changes in the business of the Company from time to time that are made in accordance with this Agreement;

- (bbb) **“Organizational Documents”** means (i) any certificate or articles of incorporation, bylaws, certificate or articles of formation, operating agreement or partnership agreement; (ii) any documents comparable to those described in clause (i) as may be applicable pursuant to any Law; and (iii) any amendment or modification to any of the foregoing;
- (ccc) **“Parties”** or **“Party”** has the meaning ascribed thereto in the preamble to this Agreement;
- (ddd) **“Parent Shares”** means, in the event that Canopy is acquired, the shares of such acquirer, provided that such acquirer shares shall be listed on the Toronto Stock Exchange, the TSX Venture Exchange, the Canadian Securities Exchange, the NEO Exchange Inc., the New York Stock Exchange, the Nasdaq Global Select Market or the London Stock Exchange;
- (eee) **“Patents”** means any and all patents and patent applications, including all reissuances, continuations, continuations-in-part, divisions, provisionals, non-provisionals, extensions, re-examinations, inter partes review applications, post grant review applications, covered business method applications, applications claiming or providing priority thereto, applications based on any inventions, and all certificates and patents issued therefrom;
- (fff) **“Permitted Debt”** has the meaning ascribed thereto in Section 2(b)(xiii);
- (ggg) **“Permitted Lien”** means any: (i) purchase-money security interest or capital lease up to the maximum aggregate amount of the Permitted Debt at any time incurred by the applicable entities in connection with the purchase or leasing of capital equipment; (ii) Lien securing Debt up to the maximum aggregate amount of the Permitted Debt at any time at the applicable entities; and (iii) Lien consented to in writing by Canopy Sub or, in respect of New LP II or New LP III, Canopy.
- (hhh) **“Person”** means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, estate, trust, unincorporated organization, Governmental Body or other entity, of whatever nature;
- (iii) **“Proprietary Information”** means any and all trade secrets, know-how, confidential or proprietary information, any information that derives economic value from not being generally known, inventions, ideas, discoveries, research, development, improvements, processes, methods, formulas, compositions, substances, models, materials, parameters, procedures, techniques, therapies, treatments, technologies, devices, systems, modules, studies, protocols, budgets, tests, test and study results, diagnoses, analyses, data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and technical, clinical, operational, financial and business information;
- (jjj) **“Regulatory Approval”** means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Body, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Body, and with respect to such consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Body, it shall not have been withdrawn, terminated, lapsed, expired or is otherwise no longer effective;
- (kkk) **“Representatives”** means a Party’s directors, officers, employees and advisors;
- (lll) **“Repurchase Right”** means the Company’s right, but not the obligation, at any time, to purchase any Class A Shares issued at a purchase price (the **“Repurchase Price”**) which shall be payable in either cash, Canopy Shares or Parent Shares, as determined in the sole discretion of the Company; provided that the Company exercises such purchase right by written notice to the holder of the Class A Shares subject to the purchase right and the Company shall pay to such shareholder: (i) an amount in cash equal to the aggregate amount of the Repurchase Price payable to such shareholder by wire transfer of immediately available funds; or (ii) the Company shall cause Canopy to issue the number of Canopy Shares or Parent Shares, as applicable, having an aggregate value equal to

the aggregate Repurchase Price payable to such shareholder to be determined by dividing such aggregate Repurchase Price by the Fair Market Value measured as of the second Trading Day immediately preceding the date of issuance;

- (mmm) “**Repurchase Price**” has the meaning ascribed thereto in the definition of Repurchase Right;
- (nnn) “**Required Manager Criteria**” means an individual who (i) is independent (as defined in Rule 5605(a)(2) of the Nasdaq Stock Market LLC Rules) of Canopy and the Company; (ii) meets the qualification requirements to serve as a manager under applicable Laws and the rules of any stock exchange on which the Canopy Shares are then listed; (iii) is not subject to any of the “bad actor” disqualifying events described in Rule 506(d)(1)(i)-(viii) under the Securities Act; (iv) is not subject to any (A) criminal convictions, court injunction, or restraining orders; (B) order of a state or federal regulator; (C) SEC disciplinary order; (D) SEC cease-and-desist order; (E) SEC stop order; (F) suspension or expulsion from membership in a self-regulatory organization; or (G) U.S. Postal Service false representation orders; (v) is financially sophisticated (as defined in Rule 5605(c)(2)(A) of the Nasdaq Stock Market LLC Rules) and (vi) has sufficient qualification, education, and experience to effectively carry out the responsibilities of the proposed position;
- (ooo) “**SEC**” means the United States Securities and Exchange Commission;
- (ppp) “**Securities Act**” means the Securities Act of 1933, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations;
- (qqq) “**Social Media Identifiers**” means all social media accounts, corporate identifiers, website addresses, pages, profiles, handles, feeds, registrations, and presences, together with all content and data thereof and all account information, user names and passwords necessary to access, transfer, use and update any of the foregoing;
- (rrr) “**Software**” means all (i) software, computer programs, applications, systems, code, data, databases, and information technology, including firmware, middleware, drivers, system monitoring software, algorithms, models, methodologies, program interfaces, source code, object code, html code, and executable code; (ii) Internet and intranet websites, databases and compilations, including data and collections of data, whether machine-readable or otherwise; (iii) development and design tools, utilities, and libraries; (iv) technology supporting websites, digital contents, user interfaces, and the contents and audiovisual displays of websites; (v) all versions, updates, corrections, enhancements, and modifications thereto; and (vi) media, documentation and other works of authorship, including forms, user manuals, developer notes, comments, support, maintenance and training materials, relating to or embodying any of the foregoing or on which any of the foregoing is recorded;
- (sss) “**Subsidiary**” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof; or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof and for this purpose, a Person or Persons owns a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be controlled by or control any manager, management board, managing director or general partner of such business entity (other than a corporation). For greater certainty, a Subsidiary of the Company shall include New LP I, New LP II and New LP III. The term “Subsidiary” shall include all Subsidiaries of such Subsidiary;

- (ttt) **“Tax” or “Taxes”** means any federal, state, local and foreign net income, alternative or add-on minimum, estimated, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, capital profits, lease, service, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, abandoned property or escheat, environmental or windfall profit tax, customs duty or other tax, governmental fee or other like assessment or charge (and any liability incurred or borne by virtue of the application of Treasury Regulation Section 1.1502-6 (or any similar or corresponding provision of state, local or foreign Law), as a transferee or successor, by contract or otherwise), together with all interest, penalties, additions to tax and additional amounts with respect thereto, whether disputed or not;
- (uuu) **“Tax Return”** means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof;
- (vvv) **“TerrAscend”** means TerrAscend Corp., a corporation existing under the laws of the Province of Ontario;
- (www) **“TerrAscend Exchangeable Shares”** means the exchangeable shares in the capital of TerrAscend owned legally or beneficially, either directly or indirectly, by the Company or any of its Subsidiaries;
- (xxx) **“TerrAscend Option”** means the option held, legally or beneficially, either directly or indirectly, by the Company or any of its Subsidiaries, to acquire 1,072,450 common shares of TerrAscend for an aggregate exercise price of \$1.00 pursuant to an option agreement dated January 13, 2021;
- (yyy) **“Trademark License Agreement”** means the trademark license agreement dated September 1, 2022 between the Company and Canopy;
- (zzz) **“Trademarks”** means any and all trademarks, service marks, certification marks, collective marks, logos, symbols, slogans, trade dress, trade names, brand names, corporate or business names, and all other source or business identifiers, together with all translations, adaptations, derivations and combinations of the foregoing, all goodwill of the business associated with each of the foregoing, all common law rights thereto, and all applications, registrations and renewals in connection therewith;
- (aaaa) **“Trading Day”** means, with respect to a stock exchange, a day on which such exchange is open for the transaction of business;
- (bbbb) **“U.S. Federal Cannabis Laws”** means any U.S. federal law, civil, criminal or otherwise, that prohibit or penalize, the advertising, cultivation, harvesting, production, distribution, sale and possession of Cannabis and/or related substances or products containing or relating to the same, and related activities, including the prohibition on drug trafficking under the Controlled Substances Act (21 U.S.C. § 801, et seq.), the conspiracy statute under 18 U.S.C. § 846, the bar against aiding and abetting the conduct of an offense under 18 U.S.C. § 2, the bar against misprision of a felony (concealing another’s felonious conduct) under 18 U.S.C. § 3(c), the bar against being an accessory after the fact to criminal conduct under 18 U.S.C. § 3, and federal money laundering statutes under 18 U.S.C. §§ 1956, 1957 and 1960;
- (cccc) **“U.S. GAAP”** means generally accepted accounting principles in effect from time to time in the United States as set forth in pronouncements of the Financial Accounting Standards Board (and its predecessors) and the American Institute of Certified Public Accountants; and
- (dddd) **“Wana Options”** means the options to acquire all of the membership interests in Mountain High Products, LLC, The Cima Group, LLC and Wana Wellness, LLC pursuant to the three option agreements dated October 14, 2021 between Canopy and the other parties named therein.

2. CONDUCT OF BUSINESS OF THE COMPANY.

- (a) *Conduct.* The Company covenants and agrees that, during the Amended Interim Period, except: (i) with the prior written consent of Canopy Sub; (ii) as expressly required or permitted by this Agreement; or (iii) as required by applicable Laws, the Company shall, and shall cause each of its Subsidiaries to, use commercially reasonable efforts to conduct its business in the Ordinary Course of Business and in accordance with its Organizational Documents, the Trademark License Agreement, all applicable Laws, and, until the date that CBG and Greenstar have exchanged their respective Canopy Shares held for exchangeable shares in the capital of Canopy, all U.S. Federal Cannabis Laws, and the Company shall maintain and preserve its and its Subsidiaries' business organizations, properties, assets, rights, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which the Company or any of its Subsidiaries has material business relations.
- (b) *Restrictions.* Without limiting the generality of Section 2(a), the Company covenants and agrees that, during the Amended Interim Period, except: (i) with the prior written consent of Canopy Sub or Canopy, in respect of New LP II or New LP III; (ii) as expressly required or permitted by this Agreement; or (iii) as required by applicable Laws, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:
- (i) amend its Organizational Documents or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;
 - (ii) declare, set aside or pay any dividend or other distribution of any kind or nature (whether in cash, stock or property or any combination thereof) in respect of any securities, other than dividends between the Company and wholly-owned Subsidiaries;
 - (iii) split, combine or reclassify any securities of the Company or any of its Subsidiaries;
 - (iv) redeem, repurchase, or otherwise acquire, or offer to redeem, repurchase or otherwise acquire, any securities of the Company or any of its Subsidiaries;
 - (v) issue additional securities of the Company or any of its Subsidiaries to any Person other than Canopy Sub or, in the case of New LP II and New LP III, Canopy, provided that any securities of the Company that are issued to a Person other than Canopy Sub shall have a Repurchase Right;
 - (vi) create any new Subsidiaries, other than Subsidiaries that are wholly-owned by the Company or another Subsidiary of the Company, or cause any wholly-owned Subsidiary of the Company to become non-wholly-owned;
 - (vii) amend the terms of any of the securities of the Company or any Subsidiary;
 - (viii) reorganize, amalgamate or merge the Company or any Subsidiary with a third-party;
 - (ix) undertake any voluntary dissolution, liquidation or winding-up of the Company or any Subsidiary or any other distribution of assets of the Company or any Subsidiary for the purpose of winding-up its affairs;
 - (x) adopt a plan of liquidation or resolution providing for the liquidation or dissolution of the Company or any of its Subsidiaries;
 - (xi) enter into any Contract for Debt that exceeds, at any time, \$500,000;
 - (xii) incur Debt other than (A) the Elevate Debt; (B) the Debt on the date of closing constituting any of the Conditional Options; (C) the Debt of Acreage on the date that Acreage becomes a Subsidiary of the Company; (D) any refinancing of any of the foregoing Debt in an

aggregate principal amount not to exceed the principal amount being refinanced plus any unpaid interest, costs, fees and other reasonable expenses; and (E) Debt that does not exceed, at any time, \$500,000 (the “**Permitted Debt**”); provided that any refinancing of the Elevate Debt or the Debt of Acreage shall only be incurred by such entities and their Subsidiaries that are obligors thereunder on the date hereof (if any);

- (xiii) pledge or otherwise encumber, or authorize the pledge or other encumbrance of any securities of the Company or any of its Subsidiaries, or any options, warrants, restricted share units or similar rights exercisable or exchangeable for or convertible into securities of the Company or any of its Subsidiaries, or other rights that are linked to the price or the value of any securities of the Company or any of its Subsidiaries (other than the foregoing entered into or effected pursuant to the terms of this Agreement);
- (xiv) create, issue, incur, assume or permit to exist any lease, Lien or other encumbrance upon or against any property, asset or undertaking of the Company or any of its Subsidiaries, other than Permitted Liens;
- (xv) enter into any Contract containing any provision restricting, impeding or preventing Canopy Sub from converting the Exchangeable Shares into Class B Shares;
- (xvi) enter into any Contract containing any provision restricting, impeding or preventing Canopy Sub from converting the New LP I Exchangeable Units into New LP I Class A Units;
- (xvii) enter into any Contract containing any provision restricting, impeding or preventing Canopy from converting the New LP II Exchangeable Units or the New LP III Exchangeable Units, respectively, into New LP II Class A Units or New LP III Class A Units, as applicable;
- (xviii) nominate or appoint any individual that does not serve on the Company Board as of the date hereof if such individual does not meet the Required Manager Criteria;
- (xix) enter into any Contract that provides for a payment to any current, former or future Company Employee or any current, former or future manager of the Company in the event that either (A) Canopy Sub converts the Exchangeable Shares into Class B Shares; (B) Canopy Sub converts the New LP I Exchangeable Units into New LP I Class A Units; (C) Canopy converts the New LP II Exchangeable Units into New LP II Class A Units; (D) Canopy converts the New LP III Exchangeable Units into New LP III Class A Units; or (E) Canopy Sub or an Affiliate of Canopy Sub acquires the Company;
- (xx) make any loan to any officer, manager, Company Employee or consultant of the Company or any of its Subsidiaries;
- (xxi) enter into any interested party transaction, unless such transaction is on arm’s-length, fair market value terms;
- (xxii) sell all or substantially all of the assets of the Company or any of its Subsidiaries (including any securities of a Subsidiary);
- (xxiii) enter into any agreement or arrangement that limits or otherwise restricts in any material respect the Company or any successor thereto or any Subsidiary, or that would, after the Amended Interim Period, limit or restrict in any material respect the Company or any of its current or future Affiliates from competing in any manner;
- (xxiv) knowingly take any action or fail to take any action which action or failure to act would result in the loss, expiration or surrender of, or the loss of any material benefit under, or

could reasonably be expected to cause any Governmental Body to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorizations necessary to conduct its businesses as now conducted, or fail to prosecute any pending applications to any Governmental Bodies for material Authorizations;

- (xxv) take any action, or refrain from taking any action, or permitting any action to be taken or not taken, which could reasonably be expected to prevent, materially delay or otherwise impede the ability for (A) Canopy Sub to convert the Exchangeable Shares into Class B Shares or the New LP I Exchangeable Units into New LP I Class A Units or (B) Canopy to convert the New LP II Exchangeable Units into New LP II Class A Units or the New LP III Exchangeable Units into New LP III Class A Units; or
 - (xxvi) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.
- (c) *Obligations.* Without limiting the generality of 2(a), the Company covenants and agrees that, during the Amended Interim Period, except: (i) with the prior written consent of Canopy Sub; (ii) as expressly required or permitted by this Agreement; or (iii) as required by applicable Law, the Company shall, and shall cause its Subsidiaries to, directly or indirectly:
- (i) do or cause to be done all things necessary to preserve and maintain the existence of the Company and its Subsidiaries;
 - (ii) take all actions necessary or desirable to maintain the Company's and its Subsidiaries' good standing and qualification to conduct business in its jurisdiction of formation and in any other jurisdiction in which it is so qualified, including by not limited to filing all applicable annual reports, paying all applicable franchise or similar Taxes, and maintaining all applicable franchises, permits and qualifications;
 - (iii) prepare and file when due all Tax Returns required to be filed by the Company and its Subsidiaries (except for any Tax Return for which an extension has been granted, in which case, such Tax Return shall be filed on or prior to the extended deadline), and pay, or cause to be paid, all Taxes (including estimated Taxes) due on such Tax Return (or due with respect to Tax Returns for which an extension has been granted) or which are otherwise required to be paid;
 - (iv) take all reasonable steps and actions that are within its power and control to obtain and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are required in order to maintain the Company's and its Subsidiaries' material Contracts in full force and effect during the Amended Interim Period and in order to permit (A) Canopy Sub to convert the Exchangeable Shares into Class B Shares and the New LP I Exchangeable Units into New LP I Class A Units; or (B) Canopy to convert the New LP II Exchangeable Units into New LP II Class A Units or the New LP III Exchangeable Units into New LP III Class A Units;
 - (v) take all reasonable steps and actions that are within its power and control to obtain and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are required in order to maintain the Company's and its Subsidiaries' material Contracts in full force and effect following the conversion of the Exchangeable Shares into Class B Shares by Canopy Sub, the New LP I Exchangeable Units into New LP I Class A Units; the New LP II Exchangeable Units into New LP II Class A Units and the New LP III Exchangeable Units into New LP III Class A Units;
 - (vi) oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or delay or otherwise adversely affect the ability

for (A) Canopy Sub to convert the Exchangeable Shares into Class B Shares or the New LP I Exchangeable Units into New LP I Class A Units; or (B) Canopy to convert the New LP II Exchangeable Units into New LP II Class A Units or the New LP III Exchangeable Units into New LP III Class A Units;

- (vii) defend, or cause to be defended, any proceedings to which it is a party or brought against it or its managers or officers seeking to restrain, enjoin or otherwise prohibit or delay or otherwise adversely affect the ability for (A) Canopy Sub to convert the Exchangeable Shares into Class B Shares or the New LP I Exchangeable Units into New LP I Class A Units; or (B) Canopy to convert the New LP II Exchangeable Units into New LP II Class A Units or the New LP III Exchangeable Units into New LP III Class A Units; and
 - (viii) maintain, or cause to be maintained, public liability and casualty insurance, all in such form, coverages and amounts as are consistent with industry practices.
- (d) *Notices.* The Company covenants and agrees that during the Amended Interim Period it shall:
- (i) notify Canopy Sub and Canopy at least five Business Days prior to entering into any Contract with a value of \$500,000 or more per year;
 - (ii) provide Canopy Sub and Canopy, by the 15th day following each month-end, with a reporting package consisting of: (i) a full set of consolidated financial statements of the Company and its Subsidiaries on a consolidated basis prepared in accordance with U.S. GAAP for the preceding calendar month ended, including: (x) an income statement, including Gross Sales, promotions and discounts, Net Sales, COGS, gross profit, Marketing Expenditures, CAM, operating expenses, operating profit, other expenses, pre-Tax income, after-Tax income; (y) a cash flow statement; and (z) a balance sheet, as well as a comparison of such results in reasonable detail to estimates set forth in the applicable Business Plan; (ii) EBITDA of the Company and its Subsidiaries on a consolidated basis; (iii) monthly treasury report of the Company showing all balances for cash and cash equivalents as of the last day of the preceding calendar month; and (iv) a detailed summary of all expenditures of the Company and its Subsidiaries made during the preceding calendar month and a comparison of such expenditures and all prior reported expenditures in reasonable detail to estimates set forth in the applicable Business Plan;
 - (iii) immediately notify Canopy Sub and Canopy of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by the Company under this Agreement;
 - (iv) promptly notify Canopy Sub and Canopy of any notice or other communication from any Person during the Amended Interim Period alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required for (A) Canopy Sub to convert the Exchangeable Shares into Class B Shares or the New LP I Exchangeable Units into New LP I Class A Units; or (B) Canopy to convert the New LP II Exchangeable Units into New LP II Class A Units or the New LP III Exchangeable Units into New LP III Class A Units;
 - (v) promptly notify Canopy Sub and Canopy of any notice or other communication from any Person during the Amended Interim Period to the effect that such Person is terminating or otherwise materially adversely modifying its relationship with the Company or any of its Subsidiaries;
 - (vi) promptly notify Canopy Sub and Canopy of any notice or other communication from any Governmental Body during the Amended Interim Period (and the Company shall

- contemporaneously provide a copy of any such written notice or communication to Canopy Sub and Canopy);
- (vii) promptly notify Canopy Sub and Canopy of any notice or other communication from any Governmental Body during the Amended Interim Period regarding the revocation or threatened revocation of any material Authorization or Regulatory Approval;
 - (viii) promptly notify Canopy Sub and Canopy of any filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company or any of its Subsidiaries; and
 - (ix) notify Canopy Sub and Canopy in writing of any material change in insurance coverages within 30 days of binding or cancellation.
- (e) *Updates.* The Company will use commercially reasonable efforts to provide Canopy Sub and Canopy with all material developments related to the Company and relevant information related to material decisions required to be made or actions required to be taken with respect to the operation of its business. The Company will use commercially reasonable efforts, in the negotiation of the agreements entered into after the date of this Agreement, to permit disclosure of information regarding such agreements to Canopy Sub and Canopy on a confidential basis.
- (f) *Annual Business Plan.* Not later than 60 days before the commencement of every calendar year, the Company shall prepare and submit to Canopy Sub and Canopy a proposed Business Plan for the next calendar year. On an annual basis, on or before July 31st, the Company shall prepare and submit to Canopy Sub and Canopy a mid-year update to the Business Plan, including a comparison of actual results in reasonable detail to estimates set forth in the applicable Business Plan. The Company shall promptly notify Canopy Sub and Canopy of any reasonably anticipated overruns in excess of the expenditures authorized in a Business Plan (including contingency expenditures) by more than 20%.
- (g) *Manager Rights.* Canopy Sub shall have the right, but not the obligation, to appoint one Person to serve as a manager on the Company Board (the “**Manager Appointee**”). The Company shall take all actions required in order to cause the Manager Appointee to be appointed as a manager of the Company. If the Manager Appointee ceases to hold office as a manager of the Company for any reason, Canopy Sub shall be entitled, but not obligated, to appoint an individual to replace him or her and the Company shall promptly take all reasonable steps as may be necessary to appoint such individual to the Company Board to replace the Manager Appointee who has ceased to hold office. The Company covenants and agrees with Canopy Sub that, upon the Manager Appointee’s appointment to the Company Board, the Company shall provide such Manager Appointee with an indemnity on terms at least as favourable to such Manager Appointee as those provided to all other managers of the Company Board and the Company shall ensure that such Manager Appointee has the benefit of any manager or officer insurance policy in effect for the Company, such benefits to be at least as favourable as those available to all other members of the Company Board.
- (h) *Access.* In order to ensure compliance with the terms of this Agreement and the transactions contemplated hereby, the Company shall give Canopy Sub, Canopy and their respective Representatives (i) upon reasonable notice, reasonable access during normal business hours to its and its Subsidiaries’ (w) premises; (x) property and assets (including all books and records, whether retained internally or otherwise, including, for greater certainty, tax and financial documentation); (y) Contracts; and (z) senior personnel, so long as the access does not unduly interfere with the ordinary course of business of the Company; and (ii) such financial and operating data or other information with respect to the assets or business of the Company as Canopy Sub or Canopy may from time to time request.

- (i) *Investigations.* During the Amended Interim Period, in order to ensure compliance with the terms of this Agreement and the transactions contemplated hereby, the Company shall provide, and cause each of its Subsidiaries to provide, reasonable access upon reasonable notice during normal business hours, to the Company's and its Subsidiaries' executive management so that Canopy Sub and Canopy may conduct reasonable investigations relating to the information provided by the Company pursuant to this Agreement as well as to the internal controls and operations of the Company and its Subsidiaries.
- (j) *Public Announcements.* The Company shall not issue any press release or make any other public statement or disclosure concerning the Company or in connection with this Agreement or the transactions contemplated hereby, without the prior written approval of Canopy Sub, except to the extent that the Company is required to make any public disclosure with respect to the Company or the subject matter of this Agreement by applicable Law; provided that in the event the Company is required to make disclosure by applicable Law, the Company shall use its commercially reasonable efforts to give Canopy Sub prior written notice (and if such prior notice is not possible, to give notice immediately following the making of any such disclosure) and a reasonable opportunity to review or comment on the disclosure.
- (k) *Government Filings.* The Company shall not make any filing with any Governmental Body without the consent of Canopy Sub and Canopy in connection with this Agreement or the transactions contemplated hereby. As soon as reasonably practicable after a request from Canopy Sub or Canopy, the Company shall use commercially reasonable efforts to (i) make all notifications, filings, applications and submissions with Governmental Bodies required or advisable and reasonably requested by Canopy Sub or Canopy, (ii) obtain all required Authorization, (iii) cooperate with Canopy Sub in connection with all Authorization sought by Canopy Sub or Canopy and (iv) maintain the Authorization, in each case, so as to enable (A) Canopy Sub to convert the Exchangeable Shares into Class B Shares and the New LP I Exchangeable Units into New LP I Class A Units; and (B) Canopy to convert the New LP II Exchangeable Units into New LP II Class A Units and the New LP III Exchangeable Units into New LP III Class A Units.
- (l) *Exercise of Conditional Options.*
 - (i) The Company shall take all necessary actions to ensure that its Subsidiaries shall not exercise the Conditional Options until the later of: (i) the date that CBG and Greenstar have exchanged their respective Canopy Shares held for exchangeable shares in the capital of Canopy; and (ii) Canopy Sub owns less than or equal to 90% of the issued and outstanding membership interests of the Company, on an as-converted basis. In the event that the Company exercises a Conditional Option on a date that is more than 30 days following the filing by Canopy of articles of amendment to create a new class of exchangeable shares in the capital of Canopy, the Company hereby covenants and agrees that it shall not, and it shall take all necessary actions to ensure that its Subsidiaries shall not, cause Canopy to issue any Canopy Shares or other securities as consideration to satisfy the exercise price or any deferred payments payable in connection with such Conditional Option.
 - (ii) In the event that a Subsidiary of the Company elects, in accordance with the terms of a Conditional Option, to satisfy the applicable payments in connection with such Conditional Option in Canopy Shares, Canopy Sub shall take all requisite action to cause Canopy to issue the Canopy Shares to satisfy such payment and in exchange for doing so, the Company shall issue to Canopy Sub such number of either Exchangeable Shares or Class B Shares, to be determined based on the type of security of the Company held by Canopy Sub at the applicable time of issuance, in each case, equal to the quotient obtained by dividing the aggregate amount of such payment by the fair market value of the Class B Shares at the applicable time and as determined by the Parties, acting reasonably.

- (m) *TerrAscend Conversion.* The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly convert the TerrAscend Exchangeable Shares into common shares of TerrAscend or exercise the TerrAscend Option to acquire common shares of TerrAscend prior to the date that CBG and Greenstar have exchanged their respective Canopy Shares held for exchangeable shares in the capital of Canopy.
- (n) *Acreage Acquisition.* The Company shall execute a share transfer agreement with Canopy Sub and Canopy Sub shall execute a share transfer agreement with Canopy on the date that the option to acquire the Class E subordinate voting shares of Acreage is exercised (the “**Acreage Acquisition**”) which shall provide that all of the shares of Acreage acquired pursuant to the Acreage Acquisition will be registered in the name of the Company at the closing of the Acreage Acquisition and concurrently, the Company shall issue to Canopy Sub such number of Exchangeable Shares with an aggregate value equal to the Fair Market Value of the Canopy Shares to be issued in connection with the Acreage Acquisition.

3. REPRESENTATIONS AND WARRANTIES.

- (a) The Company represents and warrants to Canopy Sub as follows and acknowledges that Canopy Sub is relying on such representations and warranties in entering into this Agreement:
 - (i) *Formation and Organization of the Company.* The Company is duly organized, validly existing and in good standing as a limited liability company under the laws of its jurisdiction of formation with the power to own or lease its property.
 - (ii) *Qualification.* The Company has the requisite power and capacity to enter into this Agreement and to perform its obligations hereunder.
 - (iii) *Due Authorization.* All requisite acts and proceedings have been done and taken by the Company to authorize the execution and delivery of this Agreement and the performance of the Company’s obligations hereunder
 - (iv) *Validity of Agreement.* The execution and delivery of this Agreement and the performance of the Company’s obligations hereunder do not conflict with or cause a default under any indenture, mortgage, deed of trust, loan agreement or any other agreement or instrument to which the Company is a party or by which the Company or any of its property or assets is bound and do not conflict with nor result in any violation of any of the provisions of the Company’s articles, by-laws or other organizational or governing documents or any resolution of the Company’s members or managers or any laws of the Company’s jurisdiction of formation or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its property or assets.
 - (v) *Enforceability of Agreement.* This Agreement constitutes and will constitute a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or similar laws affecting the rights of the creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and the qualification that the enforceability of rights of indemnity, contribution and waiver and the ability to sever unenforceable terms may be limited by applicable laws.
- (b) Canopy Sub represents and warrants to the Company as follows and acknowledges that the Company is relying on such representations and warranties in entering into this Agreement:
 - (i) *Incorporation and Organization of Canopy Sub.* Canopy Sub is duly organized, validly existing and in good standing as a corporation under the laws of its jurisdiction of formation with the corporate power to own or lease its property.

- (ii) *Qualification.* Canopy Sub has the requisite corporate power and capacity to enter into this Agreement and to perform its obligations hereunder.
 - (iii) *Due Authorization.* All requisite corporate acts and proceedings have been done and taken by Canopy Sub to authorize the execution and delivery of this Agreement and the performance of Canopy Sub's obligations hereunder.
 - (iv) *Validity of Agreement.* The execution and delivery of this Agreement and the performance of Canopy Sub's obligations hereunder do not conflict with or cause a default under any indenture, mortgage, deed of trust, loan agreement or any other agreement or instrument to which Canopy Sub is a party or by which Canopy Sub or any of its property or assets is bound and do not conflict with nor result in any violation of any of the provisions of Canopy Sub's articles, by-laws or other constating documents or any resolution of Canopy Sub's shareholders or directors or any laws of Canopy Sub's jurisdiction of incorporation or any order, rule or regulation of any court or governmental agency or body having jurisdiction over Canopy Sub or any of its property or assets.
 - (v) *Enforceability of Agreement.* This Agreement constitutes a legal, valid and binding obligation of Canopy Sub enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or similar laws affecting the rights of the creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and the qualification that the enforceability of rights of indemnity, contribution and waiver and the ability to sever unenforceable terms may be limited by applicable laws.
- (c) Canopy represents and warrants to the Company as follows and acknowledges that the Company is relying on such representations and warranties in entering into this Agreement:
- (i) *Incorporation and Organization of Canopy.* Canopy is duly organized, validly existing and in good standing as a corporation under the laws of its jurisdiction of formation with the corporate power to own or lease its property.
 - (ii) *Qualification.* Canopy has the requisite corporate power and capacity to enter into this Agreement and to perform its obligations hereunder.
 - (iii) *Due Authorization.* All requisite corporate acts and proceedings have been done and taken by Canopy to authorize the execution and delivery of this Agreement and the performance of Canopy's obligations hereunder.
 - (iv) *Validity of Agreement.* The execution and delivery of this Agreement and the performance of Canopy's obligations hereunder do not conflict with or cause a default under any indenture, mortgage, deed of trust, loan agreement or any other agreement or instrument to which Canopy is a party or by which Canopy or any of its property or assets is bound and do not conflict with nor result in any violation of any of the provisions of Canopy's articles, by-laws or other constating documents or any resolution of Canopy's shareholders or directors or any laws of Canopy's jurisdiction of incorporation or any order, rule or regulation of any court or governmental agency or body having jurisdiction over Canopy or any of its property or assets.
 - (v) *Enforceability of Agreement.* This Agreement constitutes a legal, valid and binding obligation of Canopy enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or similar laws affecting the rights of the creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and the qualification that the enforceability of rights of indemnity, contribution and waiver and the ability to sever unenforceable terms may be limited by applicable laws.

4. MISCELLANEOUS.

- (a) *Successors and Assigns.* The rights under this Agreement may be assigned (and only with all related obligations) in whole or in part by Canopy Sub; provided that (i) any assignment of this Agreement to a third-party shall require Canopy Sub to transfer all of the Exchangeable Shares and the New LP I Exchangeable Units then held by Canopy Sub to such third-party; (ii) any assignment of the Exchangeable Shares to a third-party shall require Canopy Sub to transfer all of the New LP I Exchangeable Units then held by Canopy Sub and all of its rights under this Agreement to such third-party; (iii) any assignment of the New LP I Exchangeable Units to a third-party shall require Canopy Sub to transfer all of the Exchangeable Shares then held by Canopy Sub and all of its rights under this Agreement to such third-party; (iv) any assignment of this Agreement by Canopy Sub to a third-party shall require Canopy to transfer all of the New LP II Exchangeable Units and New LP III Exchangeable Units then held by Canopy to such third-party; (v) any assignment of the New LP II Exchangeable Units by Canopy to a third-party shall require Canopy to transfer all of the New LP III Exchangeable Units then held by Canopy and all of its rights under this Agreement to such third-party; and (vi) any assignment of the New LP III Exchangeable Units by Canopy to a third-party shall require Canopy to transfer all of the New LP II Exchangeable Units then held by Canopy and all of its rights under this Agreement to such third-party; provided that notwithstanding the foregoing, nothing herein shall prevent Canopy and Canopy Sub (and Canopy and Canopy Sub shall not be prohibited) from granting liens or otherwise pledging its rights hereunder in favor of the lenders under Canopy's or Canopy Sub's Contracts for Debt (or be interpreted to prohibit the exercise of remedies in connection with such Liens or pledges). Any assignment by the Company may be made only with the prior written consent of Canopy Sub and Canopy. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the Parties or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein. Any transfer or attempted transfer of any rights under this Agreement in violation of this Section 4(a) shall be null and void, no such transfer shall be recorded on the Company's books or records, and the purported transferee in any such transfer shall not be treated (and the purported transferor shall continue to be treated) as if the purported transfer never occurred.
- (b) *Governing Law.* This Agreement and any claim, controversy or dispute arising out of or related to this Agreement or any of the transactions contemplated hereby, the relationship of the Parties and/or the interpretation and enforcement of the rights and duties of the Parties, whether arising in contract, tort, equity or otherwise, shall be governed by and construed, enforced and governed in accordance with the domestic Laws of the State of Delaware (including in respect of the statute of limitations or other limitations period applicable to any such claim, controversy or dispute), without giving effect to any choice or conflict of Law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware.
- (c) *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument and shall become effective when one or more such counterparts has been signed by each of the Parties and delivered to the other Parties. Counterparts may be delivered via electronic mail (including portable document format (PDF) or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com).
- (d) *Titles and Subtitles.* The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

- (e) *Notices.* Except as otherwise provided in this Agreement or required by Law, any notice, demand or other communication required or permitted to be given pursuant to this Agreement shall have been sufficiently given for all purposes if, upon the earlier of actual receipt, or:
- (i) personal delivery to the Party to be notified;
 - (ii) when sent, if sent by electronic mail during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next Business Day;
 - (iii) five days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or
 - (iv) one Business Day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next Business Day delivery, with written verification of receipt.

All communications shall be sent to the respective Parties at their address as set forth on the signature page or to such address as subsequently modified by written notice given in accordance with this Section.

- (f) *Amendments and Waivers.* Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Parties. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.
- (g) *Further Assurances.* In case at any time after the date hereof any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, all at the sole cost and expense of the requesting Party.
- (h) *No Third-Party Beneficiaries.* This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.
- (i) *Publicity.* The Company shall treat and hold as confidential all of the terms and conditions of the transactions contemplated by this Agreement; provided, however, that the Company may disclose such information to the Company's legal counsel, accountants, financial planners and/or other advisors on an as-needed basis so long as any such Person is bound by a confidentiality obligation with respect thereto. Canopy may disclose such information as necessary for Canopy to comply with applicable Law and the rules and regulations of any stock exchange upon which the Canopy Shares are traded. The Company shall not issue any press release, filing, public announcement or other public disclosure relating to the subject matter of this Agreement without the prior written approval of Canopy Sub and Canopy.
- (j) *Severability.* Any term or provision of this Agreement that is held invalid or unenforceable by a court of competent jurisdiction or other competent Governmental Body in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. Upon such a determination, the Parties shall negotiate in good faith to replace invalid or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid or unenforceable provisions.
- (k) *Entire Agreement.* This Agreement constitutes the full and entire understanding and agreement among the Parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing among the Parties is expressly canceled.

- (l) *Injunctive Relief.* The Parties hereby agree that, in the event of breach of this Agreement (including the documents attached hereto or referred to herein), damages would be difficult, if not impossible, to ascertain, that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, in addition to and without limiting any other remedy or right it may have, Canopy Sub and Canopy shall be entitled to an injunction or other equitable relief in any court of competent jurisdiction, without any necessity of proving damages or any requirement for the posting of a bond or other security, enjoining any such breach, and enforcing specifically the terms and provisions hereof. The Parties hereby waive any and all defenses they may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief.
- (m) *Costs and Expenses.* Except as otherwise expressly provided in this Agreement, each Party will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.
- (n) *Construction.* The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. The words “include”, “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation” or “but not limited to”. Unless the context otherwise requires, references in this Agreement to Sections, Schedules and Exhibits shall be deemed references to Sections of, and Schedules and Exhibits to, this Agreement. Unless the context otherwise requires, the words “hereof”, “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement. When calculating the period of time before which, within which or following which any act is to be done or any step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall not be calculated as the first day of such period of time. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day. All monetary figures or references to “\$” in this Agreement shall be U.S. dollars unless otherwise specified.
- (o) *Waiver of Jury Trial.* EACH OF THE PARTIES WAIVES THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OR RELATED TO THIS AGREEMENT (INCLUDING THE DOCUMENTS ATTACHED HERETO OR REFERRED TO HEREIN), OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY CURRENT OR FUTURE AFFILIATE OF ANY OTHER SUCH PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE PARTIES AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

- (p) *Exclusive Venue.* THE PARTIES AGREE THAT ALL DISPUTES, LEGAL ACTIONS, SUITS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT (INCLUDING THE DOCUMENTS ATTACHED HERETO OR REFERRED TO HEREIN), OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, MUST BE BROUGHT EXCLUSIVELY IN A FEDERAL DISTRICT COURT LOCATED IN THE DISTRICT OF DELAWARE OR THE DELAWARE CHANCERY COURT IN NEW CASTLE COUNTY, DELAWARE (COLLECTIVELY THE “DESIGNATED COURTS”). EACH PARTY HEREBY CONSENTS AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE DESIGNATED COURTS. NO LEGAL ACTION, SUIT OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN ANY OTHER FORUM. EACH PARTY HEREBY IRREVOCABLY WAIVES ALL CLAIMS OF IMMUNITY FROM JURISDICTION AND ANY OBJECTION WHICH SUCH PARTY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING IN ANY DESIGNATED COURT, INCLUDING ANY RIGHT TO OBJECT ON THE BASIS THAT ANY DISPUTE, ACTION, SUIT OR PROCEEDING BROUGHT IN THE DESIGNATED COURTS HAS BEEN BROUGHT IN AN IMPROPER OR INCONVENIENT FORUM OR VENUE. EACH OF THE PARTIES ALSO AGREES THAT DELIVERY OF ANY PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT TO A PARTY HEREOF IN COMPLIANCE WITH SECTION 4(e) OF THIS AGREEMENT SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY ACTION, SUIT OR PROCEEDING IN A DESIGNATED COURT WITH RESPECT TO ANY MATTERS TO WHICH THE PARTIES HAVE SUBMITTED TO JURISDICTION AS SET FORTH ABOVE.
- (q) *Acknowledgement.* Each of the Parties acknowledges and agrees on its own behalf and on behalf of any of its Affiliates, that the transactions contemplated by this Agreement do not violate public policy and agrees to waive on such Party’s own behalf and on behalf of any of such Party’s Affiliates illegality as a defense to contractual claims arising out of this Agreement or in any other document, instrument, or agreement entered into in connection the transactions contemplated hereby or thereby.
- (r) *Control of the Business.* Notwithstanding anything in this Agreement to the contrary, Canopy Sub and Canopy shall not have, nor shall be deemed to have control, or the right to direct, the Company or its operations during the Amended Interim Period.
- (s) *Delays or Omissions.* No delay or omission to exercise any right, power, or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting Party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

CANOPY USA, LLC

Address:

By: /s/ David Klein
Name: David Klein
Title: Manager

35715 US Hwy 40, Ste D102
Evergreen, CO
80439

Attention: Legal
Email: [Omitted pursuant to Item 601(a)(6)]

11065220 CANADA INC.

Address:

By: /s/ Jeridean Young
Name: Jeridean Young
Title: Authorized Signatory

1 Hershey Drive
Smiths Falls, Ontario
K7A 0A8

Attention: Legal
Email: [Omitted pursuant to Item 601(a)(6)]

CANOPY GROWTH CORPORATION

Address:

By: /s/ Christelle Gedeon
Name: Christelle Gedeon
Title: Authorized Signatory

1 Hershey Drive
Smiths Falls, Ontario
K7A 0A8

Attention: Christelle Gedeon
Email: [Omitted pursuant to Item 601(a)(6)]

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Canopy Growth Corporation (the “Company”) on Form 10-Q for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Klein, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 9, 2024

/s/ David Klein

David Klein

Chief Executive Officer

(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Canopy Growth Corporation and will be retained by Canopy Growth Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Canopy Growth Corporation (the “Company”) on Form 10-Q for the period ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Judy Hong, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 9, 2024

/s/ Judy Hong

Judy Hong

Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Canopy Growth Corporation and will be retained by Canopy Growth Corporation and furnished to the Securities and Exchange Commission or its staff upon request.