

CANOPY GROWTH CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025
(IN CANADIAN DOLLARS)

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CANOPY GROWTH CORPORATION CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

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

	June 30, 2025	March 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 126,202	\$ 113,811
Short-term investments	17,427	17,656
Restricted short-term investments	5,828	6,410
Amounts receivable, net	50,033	52,780
Inventory	93,821	96,373
Prepaid expenses and other assets	10,048	7,544
Total current assets	303,359	294,574
Other investments	161,900	179,977
Property, plant and equipment	291,274	293,523
Intangible assets	84,330	87,200
Goodwill	47,377	46,042
Other assets	16,431	16,385
Total assets	<u>\$ 904,671</u>	<u>\$ 917,701</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,078	\$ 26,099
Other accrued expenses and liabilities	46,535	38,613
Current portion of long-term debt	6,306	4,258
Other liabilities	21,750	25,434
Total current liabilities	98,669	94,404
Long-term debt	288,997	299,811
Other liabilities	28,029	36,273
Total liabilities	415,695	430,488
Commitments and contingencies		
Canopy Growth Corporation shareholders' equity:		
Share capital		
Common shares - \$nil par value; Authorized - unlimited; Issued and outstanding - 205,147,235 shares and 183,865,295 shares, respectively.		
Exchangeable shares - \$nil par value; Authorized - unlimited; Issued and outstanding - 26,261,474 shares and 26,261,474 shares, respectively.	8,836,531	8,796,406
Additional paid-in capital	2,614,869	2,618,417
Accumulated other comprehensive loss	7,248	535
Deficit	(10,969,672)	(10,928,145)
Total shareholders' equity	488,976	487,213
Total liabilities and shareholders' equity	<u>\$ 904,671</u>	<u>\$ 917,701</u>

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

CANOPY GROWTH CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
OPERATIONS AND COMPREHENSIVE LOSS

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

	Three months ended June 30,	
	2025	2024
Revenue	\$ 88,748	\$ 75,783
Excise taxes	16,614	9,571
Net revenue	72,134	66,212
Cost of goods sold	54,096	43,181
Gross margin	18,038	23,031
Operating expenses		
Selling, general and administrative expenses	38,108	47,968
Share-based compensation	(99)	4,151
Loss on asset impairment and restructuring	2,653	20
Total operating expenses	40,662	52,139
Operating loss from continuing operations	(22,624)	(29,108)
Other income (expense), net	(18,612)	(93,889)
Loss from continuing operations before income taxes	(41,236)	(122,997)
Income tax expense	(291)	(6,194)
Net loss from continuing operations	(41,527)	(129,191)
Discontinued operations, net of income tax	-	2,053
Net loss attributable to Canopy Growth Corporation	<u>\$ (41,527)</u>	<u>\$ (127,138)</u>
Basic and diluted loss per share		
Continuing operations	\$ (0.22)	\$ (1.63)
Discontinued operations	-	0.03
Basic and diluted loss per share	<u>\$ (0.22)</u>	<u>\$ (1.60)</u>
Basic and diluted weighted average common shares outstanding	188,321,555	79,243,020
Comprehensive income (loss):		
Net loss from continuing operations	\$ (41,527)	\$ (129,191)
Other comprehensive income (loss), net of income tax		
Foreign currency translation	6,713	(768)
Total other comprehensive income (loss), net of income tax	6,713	(768)
Comprehensive loss from continuing operations	(34,814)	(129,959)
Comprehensive income (loss) from discontinued operations	-	2,053
Comprehensive loss attributable to Canopy Growth Corporation	<u>\$ (34,814)</u>	<u>\$ (127,906)</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)

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

	Three months ended June 30, 2025						
	Additional paid-in capital				Accumulated other comprehensive income (loss)	Deficit	Total
	Share capital	Share-based reserve	Warrants	Ownership changes			
Balance at March 31, 2025	\$ 8,796,406	\$ 513,229	\$ 2,628,137	\$ (522,949)	\$ 535	\$ (10,928,145)	\$ 487,213
Common shares issued from February 2025 ATM Program	38,261	-	-	-	-	-	38,261
Other issuances of common shares and share issue costs	(1,585)	-	-	-	-	-	(1,585)
Share-based compensation	-	(99)	-	-	-	-	(99)
Issuance and vesting of restricted share units and performance share units	3,449	(3,449)	-	-	-	-	-
Comprehensive income (loss)	-	-	-	-	6,713	(41,527)	(34,814)
Balance at June 30, 2025	\$ 8,836,531	\$ 509,681	\$ 2,628,137	\$ (522,949)	\$ 7,248	\$ (10,969,672)	\$ 488,976

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

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

	Three months ended June 30, 2024							
	Additional paid-in capital				Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
	Share capital	Share-based reserve	Warrants	Ownership changes				
Balance at March 31, 2024	\$ 8,244,301	\$ 514,578	\$ 2,610,519	\$ (522,949)	\$ (16,051)	\$ (10,330,030)	\$ 139	\$ 500,507
Common shares issued from June 2024 ATM Program	46,291	-	-	-	-	-	-	46,291
Other issuances of common shares and share issue costs	(3,189)	-	-	-	-	-	-	(3,189)
Exercise of warrants	10,265	-	(2,702)	-	-	-	-	7,563
Share-based compensation	-	4,151	-	-	-	-	-	4,151
Issuance and vesting of restricted share units and performance share units	2,596	(2,596)	-	-	-	-	-	-
Extinguishment of promissory note and issuance of exchangeable shares	81,220	8,005	-	-	(15,127)	-	-	74,098
Canopy USA Transaction	12,452	-	-	-	10,398	-	(139)	22,711
Supreme debt settlement	-	-	8,697	-	-	-	-	8,697
Comprehensive loss	-	-	-	-	(768)	(127,138)	-	(127,906)
Balance at June 30, 2024	<u>\$ 8,393,936</u>	<u>\$ 524,138</u>	<u>\$ 2,616,514</u>	<u>\$ (522,949)</u>	<u>\$ (21,548)</u>	<u>\$ (10,457,168)</u>	<u>\$ -</u>	<u>\$ 532,923</u>

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

	Three months ended June 30,	
	2025	2024
Cash flows from operating activities:		
Net loss	\$ (41,527)	\$ (127,138)
Gain from discontinued operations, net of income tax	-	2,053
Net loss from continuing operations	(41,527)	(129,191)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant and equipment	4,753	5,682
Amortization of intangible assets	4,917	5,348
Share-based compensation	(99)	4,151
Loss on asset impairment and restructuring	109	86
Income tax expense	291	6,194
Non-cash fair value adjustments and charges related to settlement of long-term debt	10,049	79,793
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Amounts receivable	2,915	668
Inventory	2,838	(7,008)
Prepaid expenses and other assets	(2,668)	(185)
Accounts payable and accrued liabilities	5,184	(5,911)
Other, including non-cash foreign currency	2,901	(11,407)
Net cash used in operating activities	(10,337)	(51,780)
Cash flows from investing activities:		
Purchases of and deposits on property, plant and equipment	(1,306)	(3,920)
Purchases of intangible assets	(183)	(14)
Proceeds on sale of property, plant and equipment	5	4,926
Redemption of short-term investments	779	30,022
Net cash outflow on sale or deconsolidation of subsidiaries	-	(6,968)
Net cash inflow on loan receivable	-	28,103
Investment in other financial assets	-	(95,335)
Net cash used in investing activities - continuing operations	(705)	(43,186)
Net cash provided by investing activities - discontinued operations	-	10,157
Net cash used in investing activities	(705)	(33,029)
Cash flows from financing activities:		
Proceeds from issuance of common shares and warrants	38,261	53,854
Issuance of long-term debt and convertible debentures	-	68,255
Repayment of long-term debt	(916)	(11,836)
Other financing activities	(11,885)	(4,498)
Net cash provided by financing activities	25,460	105,775
Effect of exchange rate changes on cash and cash equivalents	(2,027)	890
Net increase in cash and cash equivalents	12,391	21,856
Cash and cash equivalents, beginning of period	113,811	170,300
Cash and cash equivalents, end of period	<u>\$ 126,202</u>	<u>\$ 192,156</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)

	Three months ended June 30,	
	2025	2024
Supplemental disclosure of cash flow information		
Cash received during the period:		
Income taxes	\$ -	\$ -
Interest	\$ 1,090	\$ 2,091
Cash paid during the period:		
Income taxes	\$ 365	\$ -
Interest	\$ 5,958	\$ 18,199
Noncash investing and financing activities		
Additions to property, plant and equipment	\$ -	\$ 217

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 is federally lawful, permissible and regulated, and the Company, through its subsidiaries, operates in Australia, Germany, and certain other European markets. Additionally, the Company produces, distributes and sells vaporizers and similar cannabis accessories in various global markets, including the United States.

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, 2025 (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

These condensed interim consolidated financial statements have been prepared in accordance with U.S. GAAP on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

In the Company's consolidated financial statements for the fiscal year ended March 31, 2023, the Company raised substantial doubt about its ability to continue as a going concern for at least twelve months from the issuance of those consolidated financial statements, due to certain material debt obligations coming due in the short-term, recurring losses from operations and additional required financing to fund the Company's business and operations.

As of the date of the Annual Report, the Company has been able to successfully mitigate the substantial doubt by completing several balance sheet actions, as described in the Annual Report. During the three months ended June 30, 2025, the Company experienced recurring losses from operations and required additional capital to fund its operations, which raised substantial doubt about the Company's ability to continue as a going concern. However, the Company also completed additional actions during the three months ended June 30, 2025, which included the sale of additional common shares under the February 2025 ATM Program (as defined below), pursuant to which an aggregate of 21,006,528 common shares of the Company were issued and sold for gross proceeds of approximately \$38,261.

The Company continues to evaluate different strategies and may pursue additional actions that are expected to further increase its liquidity position, including, but not limited to, pursuing additional actions to find cost-savings and seeking additional financing from both the public and private markets through the issuance of equity and/or debt securities. As a result of management's plans above, the financial results of the Company for the three months ended June 30, 2025, and actions taken during the three months

ended June 30, 2025, management concludes that the substantial doubt about the Company's ability to continue as a going concern has been alleviated.

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.

Variable interest entities

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

Equity method investments

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

The Company can also elect to account for certain equity method investments at fair value where a valuation technique and various inputs are used in determining the fair value of the equity method investments each period. The fair value changes are recorded in other income (expense), net.

Use of estimates

The preparation of these condensed interim consolidated financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. Financial statement areas that require significant judgements and estimates are as follows:

Allowance for credit losses - The assessment involves judgement and incorporates estimates of loss based on available information relevant to considering the collectability and includes consideration of economic and business conditions, default trends and other internal and external factors. The amount is subject to change based on experience and new information which could result in outcomes that require adjustment to the carrying amounts affecting future periods.

Inventory reserves - The Company records inventory reserves based on the Company's estimated forecast of product demand, production requirements, market conditions and regulatory environment. Actual losses may differ from management's estimates.

Estimated useful lives, impairment considerations, and amortization of property, plant and equipment and intangible assets - Amortization of capital and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill and indefinite lived intangible asset impairment testing requires management to make estimates in the impairment testing model. On at least an annual basis, the Company tests whether goodwill and indefinite lived intangible assets are impaired. The reporting unit's fair value is determined using a discounted future cash flow model, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Impairment of long-lived assets is influenced by judgment in defining an asset group and determining the indicators of impairment, and estimates used to measure impairment losses.

Legal proceedings - Judgement is used in determining the probability of incurring a loss in addition to determining the estimated amount. Amounts recorded are based on management's judgement and actual amounts recorded may not be realized.

Fair value measurement of financial instruments - The use of various valuation approaches described in Note 21 may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Consolidation of variable interest entities - The determination of whether the Company is the primary beneficiary of a variable interest entity requires significant judgement. The assessment requires a qualitative analysis of power and benefits of the variable interest entity.

New accounting policies

Accounting Guidance Not Yet Adopted

Income Taxes

In December 2023, the Financial Accounting Standards Board (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 its fiscal year ending March 31, 2026.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“ASU 2024-03”), which requires the disclosure of additional information related to certain costs and expenses, including amounts of inventory purchases, employee compensation, and depreciation and amortization included in each income statement line item. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2024-03 for its fiscal year ending March 31, 2028.

3. CANOPY USA

Canopy USA

On October 24, 2022, Canopy Growth completed a number of strategic transactions (the “Reorganization”) in connection with the creation of Canopy USA, LLC (“Canopy USA”), a U.S.-domiciled holding company wherein, as of October 24, 2022, Canopy USA, holds certain U.S. cannabis investments previously held by Canopy Growth.

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 (as defined below) 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 (as defined below) or the Jetty Options (as defined below), 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 Class A shares of Canopy USA (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 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 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 (as defined below). Pursuant to the terms of the Trust SPA, the Trust was entitled, subject to certain terms and conditions contained in the Trust SPA, to 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. On April 26, 2024, Canopy USA completed the first tranche closing of the Trust Transaction in accordance with the Trust SPA and pursuant to the Trust SPA, the timeline to complete the second tranche closing has lapsed and was not exercised by the Trust. As of June 30, 2025, the Trust holds an aggregate 28,571,429 Canopy USA Common Shares and warrants to acquire up to 85,714,284 Voting Shares expiring on April 26, 2031.

In addition, subject to the terms and conditions of the A&R Protection Agreement (as defined below) and the terms of the option agreements to acquire Wana (as defined below) 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 (as defined below) of Acreage Holdings, Inc. (“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 connection with the Additional Reorganization Amendments, Canopy USA and its members entered into a second amended and restated limited liability company agreement (the “Second A&R LLC Agreement”). In accordance with the terms of the Second A&R LLC Agreement, the terms of the Non-Voting Shares have been amended such that the Non-Voting Shares are only 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 “Stock Exchange Permissibility 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.

Following the Reorganization, Reorganization Amendments and Additional Reorganization Amendments, on May 6, 2024, Canopy USA exercised the options (the “Wana Options”) to acquire Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, “Wana”), a leading cannabis edibles brand in North America, and subsequently closed the transactions to acquire Wana Wellness, LLC and The Cima Group, LLC. On October 8, 2024, Canopy USA closed the acquisition of Mountain High Products, LLC. In addition, Canopy USA exercised the options (the “Jetty Options”) to acquire Lemurian, Inc. (“Jetty”) a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology and subsequently completed the first tranche closing to acquire Jetty. On June 4, 2024, the option to acquire the issued and outstanding Class E subordinate voting shares (the “Fixed Shares”) of Acreage, 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 (the “Acreage Option”) was exercised and on December 9, 2024, Canopy USA completed the acquisition of all of the issued and outstanding Fixed Shares and Class D subordinate voting shares (the “Floating Shares”) of Acreage (the “Acreage Acquisition”). Certain entities controlled by Canopy USA (the “Canopy USA LPs”) also hold direct 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 and the Canopy USA LPs currently hold an ownership interest in the following assets, among others:

- **Wana** – Canopy USA holds 100% of the membership interests of Wana.
- **Jetty** – Canopy USA holds approximately 77% of the shares of Jetty.
- **Acreage** – Canopy USA holds 100% of the issued and outstanding shares of Acreage.
- **TerrAscend** – the Canopy USA LPs hold an aggregate of 64,564,487 TerrAscend common shares (the “TerrAscend Common Shares”) on an as-converted basis and 22,474,130 TerrAscend Common Share purchase warrants with a weighted average exercise price of \$6.07 per TerrAscend Common Share and expiring on December 31, 2032 (the “TerrAscend Warrants”). Assuming full exercise of the TerrAscend Warrants, the Canopy USA LPs will hold an aggregate of 87,038,617 TerrAscend

Common Shares on an as-converted basis assuming conversion of the TerrAscend exchangeable shares held by the Canopy USA LPs.

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 and the Additional Reorganization Amendments, 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 up to April 30, 2024.

Ownership of U.S. Cannabis Investments

Following the implementation of the Reorganization, the shares and interests in Acreage, Wana and Jetty are held, directly or indirectly, by Canopy USA and the shares and warrants in TerrAscend are held directly by the Canopy USA LPs, and Canopy Growth no longer holds a direct interest in any shares or interests in such entities. Canopy Growth holds non-voting and non-participating shares (the “Non-Voting Shares”) in the capital of Canopy USA and an interest in the Canopy USA LPs. 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 such conversion shall only be permitted following the Stock Exchange Permissibility 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”).

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 and on April 30, 2024, 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 were 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, on April 30, 2024, (i) Canopy USA issued 60,955,929 Canopy USA Common Shares and (ii) Canopy Growth issued 1,086,279 Canopy Growth common shares to the shareholders of Wana. The Canopy USA Common Shares issued to Ms. Whiteman, or entities controlled by Ms. Whiteman, are subject to a repurchase right exercisable at any time after April 30, 2027, being 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.

As of June 30, 2025, the Trust holds 28,571,429 Canopy USA Common Shares, the shareholders of Wana collectively hold 60,955,929 Canopy USA Common Shares and a wholly-owned subsidiary of the Company holds all of the issued and outstanding Non-Voting Shares in the capital of Canopy USA, representing approximately 84.4% of the issued and outstanding shares in Canopy USA on an as-converted basis.

Canopy Growth and Canopy USA are also party to 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, such conversion shall only be permitted following the Stock Exchange Permissibility 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”).

Until such time as Canopy Growth converts its Non-Voting Shares into Canopy USA Class B Shares following the Stock Exchange Permissibility Date, Canopy Growth will have no economic or voting interest in Canopy USA or the Canopy USA LPs. Canopy USA 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 Canopy USA acquired all of the issued and outstanding Floating Shares by way of a court-approved plan of arrangement (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 irrevocably waived its right (the “Acreage Floating Option”) 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, pursuant to and in accordance with the terms of the Existing Acreage Arrangement Agreement (as defined below).

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. In connection with the Acreage Acquisition, the Company, on behalf of Canopy USA, issued 5,118,426 common shares of the Company to an eligible participant pursuant to HSCP's existing tax receivable bonus plans.

In addition to shareholder and court approvals, completion of the Floating Share Arrangement was subject to applicable regulatory approvals including, but not limited to, Toronto Stock Exchange ("TSX") approval and the satisfaction of certain other closing conditions, including the conditions set forth in the Acreage Amended Arrangement (as defined below). 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 was implemented on December 9, 2024 in connection with the closing of the Acreage Acquisition.

On June 4, 2024, the Acreage Option was exercised 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"). Concurrently with the closing of the acquisition of the Fixed Shares pursuant to the exercise of the Acreage Option, on December 9, 2024, the Fixed Shares were issued to Canopy USA upon closing of the Acreage Acquisition. Accordingly, Canopy Growth does not hold any Fixed Shares or Floating Shares. The acquisition of the Floating Shares pursuant to the Floating Share Arrangement occurred 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 are owned by Canopy USA. For additional details, see "Acreage Acquisition" below.

On June 3, 2024, the Company exercised its option to acquire certain outstanding debt of Acreage (the "Debt Acquisition") in connection with the option agreement dated November 15, 2022 (the "Option Agreement") among a wholly-owned subsidiary of Canopy Growth (the "Optionor") and the lenders (the "Lenders") party to Acreage's credit agreement dated as of December 16, 2021, as amended by the first amendment to credit agreement dated as of October 24, 2022 and the second amendment to credit agreement dated as of April 28, 2023.

The Optionor entered into various agreements in connection with the Debt Acquisition in order to acquire approximately \$136,567 (US\$99,837) of Acreage's outstanding debt (the "Acquired Debt") from certain Lenders in exchange for \$95,460 (US\$69,786) in cash and the release of approximately \$41,107 (US\$30,051) (the "Option Premium") that was held in escrow pursuant to the Option Agreement. The Option Premium was not included in Canopy Growth's cash and cash equivalents as of March 31, 2024.

The Optionor subsequently transferred approximately \$2,972 (US\$2,173) of the Acquired Debt to the other Lender (the "Rolling Lender") and entered into a series of agreements with the Rolling Lender and Acreage, among others, including an amended and restated credit agreement (the "First ARCA"), which provided for, among other things, the Acquired Debt, certain interest payments to be paid-in-kind, revisions to certain financial covenants and, following certain events, an extension to the maturity date.

On September 13, 2024, the Optionor entered into a series of transactions with, among others, Acreage, the Rolling Lender and an arm's length third-party lender (the "Other Lender"). Pursuant to such transactions, all of Acreage's indebtedness held by the Rolling Lender was acquired by the Other Lender. Following the acquisition by the Other Lender, the Optionor, the Other Lender and Acreage, among others, amended and restated the First ARCA pursuant to a second amended and restated credit agreement dated as of September 13, 2024 (the "Second ARCA"). Pursuant to the Second ARCA and an agreement among lenders entered into on September 13, 2024 between, among others, the Optionor and the Other Lender, all interest owing to the Optionor under the Second ARCA is, subject to the consent of the Other Lender, to be paid-in-kind and not in cash. Under the Second ARCA, as of September 13, 2024, the Optionor was owed an aggregate principal amount equal to approximately \$137,955 (US\$102,000), which is subordinate to approximately \$87,913 (US\$65,000) owed to the Other Lender. As previously disclosed in the Annual Report, Acreage was in default under the Second ARCA and the Lenders agreed to forbear from exercising remedies with respect to such default while the parties discussed potential solutions, including additional financing.

As of June 30, 2025, the aggregate principal amount owing to the Optionor was approximately \$154,267 (US\$113,365) and the aggregate principal amount owing to the Other Lender was approximately \$88,452 (US\$65,000).

On July 29, 2025, the Company entered into the Third Paydown Agreement (as defined below) in order to permit the Company to grant Canopy USA certain consents (the "Acreage Financing Consent") in order to allow Canopy USA to secure from the Other Lender an additional US\$22,000 in financing for Acreage and its subsidiaries (the "Acreage Financing"). In connection with the Acreage Financing, the Optionor, the Other Lender and Acreage, among others, amended and restated the Second ARCA pursuant to a third amended and restated credit agreement dated as of July 29, 2025 (the "Third ARCA"). As a result of the Acreage Financing and Third ARCA, Acreage is no longer in default under its senior secured credit facilities

Deconsolidation of Canopy USA

As of April 30, 2024, as a result of the series of transactions related to the Additional Reorganization Amendments described above (the “Canopy USA Transactions”), Canopy Growth has deconsolidated the financial results of Canopy USA and has a non-controlling interest in Canopy USA as of such date. The deconsolidation of Canopy USA occurred after completion of the following structural amendments: (i) execution of the Second A&R LLC Agreement, (ii) execution of the Second A&R Protection Agreement and (iii) completion of the initial tranche closing of the Trust Transaction, which included the election of a third member to the Canopy USA Board such that the Canopy USA Board is comprised of an appointee of the Trust, Ms. Whiteman, and the Company.

Canopy Growth's deconsolidation of Canopy USA resulted in recognition of equity method investments (see Note 10) and a loan receivable recorded at fair value (see Note 10). The deconsolidation of Canopy USA from the financial results of Canopy Growth resulted in the derecognition of the following assets and liabilities:

Cash	\$ 6,968
Other financial assets	386,045
Other assets	1,315
Other liabilities	(20,067)
Cumulative translation adjustment	10,398
Net assets disposed	<u>\$ 384,659</u>
Derecognition of non-controlling interest in Canopy USA	\$ 139
Equity method investments	\$ 227,119
Elevate loan receivable	174,864
Total retained non-controlling interest in the former subsidiaries	<u>\$ 401,983</u>
Issuance of common shares	\$ (12,452)
Consideration received in cash	\$ -
Total consideration	<u>\$ -</u>
Gain on disposal of consolidated entity	<u>\$ 5,011</u>

The gain on derecognition of Canopy USA is the differences between the carrying amounts of the derecognized assets, liabilities and non-controlling interest, value of common shares issued, and the fair value of the retained non-controlling interest in Canopy USA, being the equity method investments and the Canopy Elevate I LLC, Canopy Elevate II LLC and Canopy Elevate III LLC (collectively, “Elevate”) loan receivable. The gain on derecognition is reflected in other income (expense), net.

Acreage Acquisition

On December 9, 2024, Canopy USA completed the Acreage Acquisition and now owns 100% of the issued and outstanding shares of Acreage. In connection with: (i) the Existing Acreage Arrangement Agreement and the Acreage Amended Arrangement; and (ii) the Floating Share Arrangement Agreement, Canopy USA acquired all of the issued and outstanding Floating Shares of Acreage on the terms and conditions set forth in Floating Share Arrangement. Immediately following the implementation of the Floating Share Arrangement, Canopy USA acquired all of the issued and outstanding Fixed Shares of Acreage (the “Fixed Share Acquisition”). In accordance with the Floating Share Arrangement, registered holders of Floating Shares received 0.045 of a common share of Canopy Growth for each Floating Share (the “Floating Share Exchange Ratio”). In connection with the Fixed Share Acquisition, each of the outstanding Fixed Shares was exchanged for 0.0000000617 of a common share of Canopy Growth for each Fixed Share, as adjusted pursuant to the terms and conditions set forth in the Existing Acreage Arrangement Agreement (the “Fixed Share Exchange Ratio”). In aggregate, Canopy Growth issued 5,888,291 common shares to former shareholders of Acreage.

Pursuant to the Floating Share Arrangement, (i) each outstanding stock option to acquire Floating Shares was exchanged for a replacement option exercisable for Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such options adjusted by the Floating Share Exchange Ratio; (ii) each outstanding warrant to acquire Floating Shares was exchanged for a replacement warrant to acquire Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such warrants adjusted by the Floating Share Exchange Ratio; and (iii) each outstanding restricted share unit, performance share and performance unit, as applicable, that vested into Floating Shares was exchanged for a replacement restricted share unit, performance share or performance unit, as applicable, that vests into Canopy Growth common shares, with the number of underlying Canopy Growth common shares adjusted by the Floating Share Exchange Ratio.

In connection with the Fixed Share Acquisition, (i) each outstanding stock option to acquire Fixed Shares was exchanged for a replacement option exercisable for Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such options adjusted by the Fixed Share Exchange Ratio; (ii) each outstanding warrant to acquire Fixed Shares was exchanged for a replacement warrant to acquire Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such warrants adjusted by the Fixed Share Exchange Ratio; and (iii) each restricted share unit and performance share unit, as applicable, that vested into Fixed Shares was exchanged for a replacement restricted share unit or performance share unit, as applicable, that vests into Canopy Growth common shares, with the number of underlying Canopy Growth common shares adjusted by the Fixed Share Exchange Ratio.

In addition, Canopy Growth: (i) issued 5,118,426 common shares of the Company to an eligible participant pursuant to HSCP's existing tax receivable bonus plans; and (ii) 306,151 common shares of the Company were issuable in connection with Canopy USA's acquisition of the minority interests of certain subsidiaries of Acreage, of which 237,682 common shares of the Company have been issued as of June 30, 2025.

Immediately following the closing of the Acreage Acquisition, Canopy Growth issued an aggregate of 1,315,553 common shares and 1,197,658 common share purchase warrants to certain securityholders of Acreage in order to satisfy an outstanding liability. Each common share purchase warrant entitles the holder thereof to acquire one Canopy Growth common share at an exercise price of US\$3.66 until June 6, 2029.

In exchange for the issuances of Canopy Growth common shares, warrants and other replacement securities in connection with the Acreage Acquisition, Canopy Growth received additional Non-Voting Shares with a value of \$50,786 and Canopy USA delivered guarantees in respect of the obligations owing pursuant to the Elevate loan receivable. Refer to Note 10 for more information on Canopy USA investment balances and refer to Note 17 for more information on the share and warrant issuances as part of the Acreage Acquisition.

4. LOSS ON ASSET IMPAIRMENT AND RESTRUCTURING

In the three months ended June 30, 2025, the Company recorded a loss on asset impairment and restructuring which primarily related to the employee restructuring costs.

As a result, in the three months ended June 30, 2025, the Company recognized a loss on asset impairment and restructuring of \$2,653 (three months ended June 30, 2024 – loss of \$20).

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	June 30, 2025	March 31, 2025
Cash	\$ 126,076	\$ 113,681
Cash equivalents	126	130
	<u>\$ 126,202</u>	<u>\$ 113,811</u>

6. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

	June 30, 2025	March 31, 2025
Term Deposits	\$ 17,296	\$ 17,656
Government securities	131	-
	<u>\$ 17,427</u>	<u>\$ 17,656</u>

The amortized cost of short-term investments at June 30, 2025 is \$17,427 (March 31, 2025 – \$17,656).

7. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

	June 30, 2025	March 31, 2025
Accounts receivable, net	\$ 47,966	\$ 47,514
Indirect taxes receivable	1,746	2,211
Interest receivable	321	219
Other receivables	-	2,836
	<u>\$ 50,033</u>	<u>\$ 52,780</u>

Included in the accounts receivable, net balance at June 30, 2025 is an allowance for doubtful accounts of \$1,314 (March 31, 2025 – \$1,212).

8. INVENTORY

The components of inventory are as follows:

	June 30, 2025	March 31, 2025
Raw materials, packaging supplies and consumables	\$ 17,789	\$ 16,268
Work in progress	40,641	46,944
Finished goods	35,391	33,161
	<u>\$ 93,821</u>	<u>\$ 96,373</u>

In the three months ended June 30, 2025, the Company recorded write-downs related to inventory in cost of goods sold of \$1,903 (three months ended June 30, 2024 – \$690).

9. PREPAID EXPENSES AND OTHER ASSETS

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

	June 30, 2025	March 31, 2025
Prepaid expenses	\$ 6,653	\$ 5,363
Deposits	241	152
Other assets	3,154	2,029
	<u>\$ 10,048</u>	<u>\$ 7,544</u>

10. OTHER INVESTMENTS

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

Entity	Instrument	Balance at March 31, 2025	Additions	Fair value changes	Foreign currency translation adjustments	Other	Balance at June 30, 2025
Elevate loan receivable	Loan receivable	\$ 144,683	\$ -	\$ 5,546	\$ (7,834)	\$ -	\$ 142,395
Canopy USA LPs	Equity method investment	33,144	-	(15,595)	(176)	-	17,373
Other	Various	2,150	-	-	-	(18)	2,132
		<u>\$ 179,977</u>	<u>\$ -</u>	<u>\$ (10,049)</u>	<u>\$ (8,010)</u>	<u>\$ (18)</u>	<u>\$ 161,900</u>

Equity Method Investments

Through its ownership in the Non-Voting Shares, the Company has a non-participating and non-voting interest in Canopy USA, LLC and an interest in the Canopy USA LPs, and classifies such interests in Canopy USA, LLC and the Canopy USA LPs as equity method investments. The Company has elected to account for its investments in Canopy USA, LLC and the Canopy USA LPs at fair value. Refer to Note 21 for information on the valuation technique and inputs used in determining the fair value of the Canopy USA, LLC and the Canopy USA LPs investments and Note 23 for information on fair value movements.

Other financial assets

Acreage Debt

On June 3, 2024, the Company closed the Debt Acquisition in connection with the Option Agreement among the Optionor and the Lenders party to Acreage's credit agreement dated as of December 16, 2021, as amended by the first amendment to credit agreement dated as of October 24, 2022 and the second amendment to credit agreement dated as of April 28, 2023.

The Optionor entered into various agreements in connection with the Debt Acquisition in order to acquire the Acquired Debt from certain Lenders in exchange for \$95,460 (US\$69,786) in cash and the release of the Option Premium that was held in escrow pursuant to the Option Agreement. The Option Premium was not included in the Company's cash and cash equivalents as of March 31, 2024.

The Optionor subsequently transferred approximately \$2,972 (US\$2,173) of the Acquired Debt to the Rolling Lender and entered into a series of agreements with the Rolling Lender and Acreage, among others, including the First ARCA, which provided for, among other things, the Acquired Debt, certain interest payments to be paid-in-kind, revisions to certain financial covenants and, following certain events, an extension to the maturity date.

On September 13, 2024, the Optionor entered into a series of transactions with, among others, Acreage, the Rolling Lender and the Other Lender. Pursuant to such transactions, all of Acreage's indebtedness held by the Rolling Lender was acquired by the Other Lender. Following the acquisition by the Other Lender, the Optionor, the Other Lender and Acreage, among others, entered into the Second ARCA. Pursuant to the Second ARCA and an agreement among lenders entered into on September 13, 2024 between, among others, the Optionor and the Other Lender, all interest owing to the Optionor under the Second ARCA is, subject to the consent of the Other Lender, to be paid-in-kind and not in cash. Under the Second ARCA, as of September 13, 2024, the Optionor was owed an aggregate principal amount equal to approximately \$137,955 (US\$102,000), which is subordinate to approximately \$87,913 (US\$65,000) owed to the Other Lender. As previously disclosed in the Annual Report, Acreage was in default under the Second ARCA and the Lenders agreed to forbear from exercising remedies with respect to such default while the parties discussed potential solutions, including additional financing.

As of June 30, 2025, the aggregate principal amount owing to the Optionor was approximately \$154,267 (US\$113,365) and the aggregate principal amount owing to the Other Lender was approximately \$88,452 (US\$65,000).

On July 29, 2025, the Company entered into the Third Paydown Agreement in order to permit the Company to grant Canopy USA the Acreage Financing Consent in order to allow Canopy USA to secure from the Other Lender an additional US\$22,000 in financing for Acreage and its subsidiaries (the “Acreage Financing”). As a result, in connection with the Acreage Financing, the Optionor, the Other Lender and Acreage, among others, amended and restated the Second ARCA pursuant to the Third ARCA. As a result of the Acreage Financing and Third ARCA, Acreage is no longer in default under its senior secured credit facilities.

Elevate Loan Receivable

Prior to Canopy Growth’s deconsolidation of Canopy USA, intercompany loans (collectively the “Elevate loan”) existed between subsidiaries and the Elevate loan was eliminated in Canopy Growth’s consolidated financial statements. Upon deconsolidation of Canopy USA, the Elevate loan is now considered a related party loan and has been recognized in Canopy Growth’s consolidated financial statements at fair value. See Note 3, for the initial value of the Elevate loan receivable upon deconsolidation of Canopy USA.

On December 9, 2024, Canopy USA delivered guarantees in respect of the obligations owing pursuant to the Elevate loan receivable. Upon delivery thereof, each guarantee is now factored into the fair value consideration of the Elevate loan receivable. Refer to Note 21 for information on the valuation technique and other inputs used in determining the fair value.

As of June 30, 2025, the aggregate principal and interest amount owing to Canopy Growth is \$235,025 (US\$172,711) and \$56,351 (US\$41,410), respectively.

11. PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2025	March 31, 2025
Buildings and greenhouses	\$ 306,417	\$ 304,891
Production and warehouse equipment	65,328	64,096
Leasehold improvements	3,197	3,177
Office and lab equipment	11,466	11,043
Computer equipment	7,053	7,006
Land	5,033	4,987
Right-of-use-assets		
Buildings and greenhouses	9,312	9,648
Assets in process	713	643
	408,519	405,491
Less: Accumulated depreciation	(117,245)	(111,968)
	<u>\$ 291,274</u>	<u>\$ 293,523</u>

Depreciation expense included in cost of goods sold for the three months ended June 30, 2025 is \$4,201 (three months ended June 30, 2024 – \$4,980). Depreciation expense included in selling, general and administrative expenses for the three months ended June 30, 2025 is \$552 (three months ended June 30, 2024 – \$702).

12. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	June 30, 2025		March 31, 2025	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<u>Finite lived intangible assets</u>				
Intellectual property	\$ 90,466	\$ 31,039	\$ 87,770	\$ 32,301
Distribution channel	46,195	1,826	46,210	2,093
Operating licenses	24,400	12,167	24,400	12,925
Software and domain names	32,648	993	33,159	1,763
Brands	14,495	6,638	14,499	7,469
Amortizable intangibles in process	276	276	194	194
Total	<u>\$ 208,480</u>	<u>\$ 52,939</u>	<u>\$ 206,232</u>	<u>\$ 56,745</u>
<u>Indefinite lived intangible assets</u>				
Acquired brands		\$ 31,391		\$ 30,455
Total intangible assets		<u>\$ 84,330</u>		<u>\$ 87,200</u>

Amortization expense included in cost of goods sold for the three months ended June 30, 2025 is \$3 (three months ended June 30, 2024 – \$12). Amortization expense included in selling, general and administrative expenses for the three months ended June 30, 2025 is \$4,914 (three months ended June 30, 2024 – \$5,336).

13. GOODWILL

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

Balance, March 31, 2024	\$ 43,239
Foreign currency translation adjustments	2,803
Balance, March 31, 2025	\$ 46,042
Foreign currency translation adjustments	1,335
Balance, June 30, 2025	<u>\$ 47,377</u>

The Company does not believe that an event occurred or circumstances changed during the three months ended June 30, 2025 that would, more likely than not, reduce the fair value of the Storz & Bickel® (“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 June 30, 2025. The carrying value of goodwill associated with the Storz & Bickel reporting unit was \$47,377 at June 30, 2025.

The Company is required to perform its next annual goodwill impairment analysis on March 31, 2026, or earlier should there be an event that occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

14. OTHER ACCRUED EXPENSES AND LIABILITIES

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

	June 30, 2025	March 31, 2025
Employee compensation	\$ 16,269	\$ 13,729
Taxes and government fees	17,530	13,073
Professional fees	2,737	2,699
Other	9,999	9,112
	<u>\$ 46,535</u>	<u>\$ 38,613</u>

15. DEBT

The components of debt are as follows:

	<u>Maturity Date</u>	<u>June 30, 2025</u>	<u>March 31, 2025</u>
Credit facility	September 18, 2027		
Principal amount		204,953	216,686
Accrued interest		4,529	-
Deferred financing costs		(4,795)	(5,566)
		<u>204,687</u>	<u>211,120</u>
Supreme convertible debentures	September 10, 2025	1,777	2,311
Accretion debentures	September 10, 2025	-	163
May 2024 Convertible Debenture	May 14, 2029	88,839	90,231
Other revolving debt facility, loan, and financings		-	244
		<u>295,303</u>	<u>304,069</u>
Less: current portion		(6,306)	(4,258)
Long-term portion		<u>\$ 288,997</u>	<u>\$ 299,811</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, in connection with the balance sheet actions completed as part of the creation of Canopy USA, the Company entered into agreements with certain of its lenders under the Credit Agreement to tender US\$187,500 of the principal amount outstanding thereunder at a discounted price of US\$930 per US\$1,000 or US\$174,375 in the aggregate. The 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 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).

On February 21, 2024, the Company repurchased additional outstanding principal amounts under the Credit Facility (the “Fourth Quarter 2024 Paydown”). The Fourth Quarter 2024 Paydown resulted in an aggregate principal reduction of \$31,078 (US\$23,000) for a cash payment of \$27,970 (US\$20,700).

On April 29, 2024 and June 28, 2024, the Company repurchased additional outstanding principal amounts under the Credit Facility (the “First Quarter 2025 Paydowns”). The First Quarter 2025 Paydowns resulted in an aggregate principal reduction of \$11,159 (US\$8,165) for a cash payment of \$11,159 (US\$8,165).

On August 8, 2024, the Company entered into an amendment (the “Amending Agreement”) with all of the lenders to the Credit Facility under the Credit Agreement dated March 18, 2021, as amended on October 24, 2022 and July 13, 2023, among the Company and 11065220 Canada Inc., as borrowers, the lenders party thereto and Wilmington Trust, National Association, as administrative and collateral agent. Pursuant to the terms of the Amending Agreement, the maturity date of the Credit Facility was extended to December 18, 2026 and a mandatory US\$97,500 prepayment of the Credit Facility at 97.5% of par thereby reducing the outstanding amount of the Credit Facility by US\$100,000 was required to be made by December 31, 2024. In addition, the Amending Agreement provided for a further extension to the maturity date of the Credit Facility to September 18, 2027 if an optional prepayment on the same terms was made on or before March 31, 2025 (the “Optional Prepayment”). The Amending Agreement also includes changes to certain negative covenants, repayment provisions in the event of divestitures and events of default.

Through August 8, 2024, the Credit Facility matured on March 18, 2026 and through December 26, 2023, had an interest rate of LIBOR + 8.50%. After August 8, 2024, the Credit Facility matured on December 18, 2026, and after December 26, 2023, interest on amounts outstanding under the 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 Amended Credit Agreement contains representations and warranties, and affirmative and negative covenants.

On September 27, 2024, the Company repurchased additional outstanding principal amounts under the Credit Facility (the “Second Quarter 2025 Paydown”). The Second Quarter 2025 Paydown resulted in an aggregate principal reduction of \$1,148 (US\$851) for a cash payment of \$1,148 (US\$851).

In accordance with the Amending Agreement, on October 16, 2024, the Company made an early prepayment under its Credit Facility in an aggregate principal amount equal to US\$100,000 of the principal amount outstanding thereunder at a discounted price of US\$97,500 (the “Third Quarter 2025 Paydown”). The Third Quarter 2025 Paydown resulted in an aggregate principal reduction of \$137,710 (US\$100,000) for a cash payment of \$134,267 (US\$97,500).

On March 31, 2025, the Company made the Optional Prepayment and, as a result, the maturity date under the Credit Agreement was extended to September 18, 2027. The Optional Prepayment resulted in an aggregate principal reduction of \$143,870 (US\$100,000) for a cash payment of \$140,273 (US\$97,500).

On July 29, 2025, the Company entered into the Third Paydown Agreement. In accordance with the terms of the Third Paydown Agreement, on July 31, 2025, the Company made the first of the three required prepayments in the aggregate amount of US\$25,000 to reduce the principal balance of the Credit Facility, refer to Note 28 for additional details relating to the Third Paydown Agreement and the first prepayment made by the Company.

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.

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 Supreme Debentures outstanding, provided that the Accretion Debentures have already been redeemed in full.

On May 2, 2024, the Company entered into the Exchange and Subscription Agreement (as defined below) where approximately \$27,563 of aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures were settled.

On August 20, 2024, the Company entered into an exchange and subscription agreement with a single institutional investor (the "August 2024 Investor") pursuant to which, among other things, the August 2024 Investor delivered to the Company approximately \$2,664 of aggregate principal amount of outstanding Supreme Debentures held by the August 2024 Investor in exchange for 291,351 common shares of the Company and \$29 in cash for accrued interest.

During the three months ended June 30, 2025, principal payments on the Accretion Debentures totaled \$165 (three months ended June 30, 2024 - \$677) and principal payments on the Supreme Debentures totaled \$500 (three months ended June 30, 2024 - \$nil).

May 2024 Convertible Debenture

On May 2, 2024, the Company entered into an exchange and subscription agreement (the "Exchange and Subscription Agreement") with a single institutional investor (the "May 2024 Investor") pursuant to which, among other things, the May 2024 Investor delivered to the Company approximately \$27,563 aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures held by the May 2024 Investor and paid the Company \$68,255 (US\$50,000) in exchange for the Company issuing to the May 2024 Investor (i) a new senior unsecured convertible debenture of the Company (the "May 2024 Convertible Debenture") with an aggregate principal amount of \$96,358 maturing five years from the closing date (the "Closing Date") of the transaction and (ii) 3,350,430 common share purchase warrants (the "May 2024 Investor Warrants") of the Company. Each May 2024 Investor Warrant entitles the holder to acquire one Canopy Growth common share at an exercise price equal to \$16.18 per Canopy Growth common share for a period of five years from the Closing Date. The May 2024 Convertible Debenture bears interest at a rate of 7.50% per annum, payable in semi-annual payments in cash or, at the option of the Company, in Canopy Growth common shares for the first four semi-annual interest payments after the Closing Date, subject to satisfaction of certain conditions, including the prior approval of the TSX.

The May 2024 Convertible Debenture is convertible into Canopy Growth common shares at the option of the May 2024 Investor at a conversion price equal to \$14.38 per share. The May 2024 Convertible Debenture is subject to a forced conversion feature upon notice from the Company in the event that the average closing trading price of the Canopy Growth common shares on the TSX exceeds \$21.57 for a period of 10 consecutive trading days. In addition, pursuant to the terms of the May 2024 Convertible Debenture, for so long as the principal amount under the May 2024 Convertible Debenture remains outstanding (the "Debenture ROFR Term"), the Company granted the May 2024 Investor a right of first refusal to subscribe for, and to be issued, as an investor in any debt or equity financing that the Company wishes to complete during the Debenture ROFR Term (the "Proposed Financing"); provided, however, that the May 2024 Investor shall subscribe for 25% of the Proposed Financing on the same terms and conditions contemplated in the Proposed Financing.

16. OTHER LIABILITIES

The components of other liabilities are as follows:

	As at June 30, 2025			As at March 31, 2025		
	Current	Long-term	Total	Current	Long-term	Total
Lease liabilities	\$ 12,617	\$ 19,882	\$ 32,499	\$ 16,542	\$ 27,786	\$ 44,328
Acquisition consideration and other investment related liabilities	-	4,518	4,518	-	4,439	4,439
Refund liability	3,275	-	3,275	2,661	-	2,661
Settlement liabilities and other	5,858	3,629	9,487	6,231	4,048	10,279
	<u>\$ 21,750</u>	<u>\$ 28,029</u>	<u>\$ 49,779</u>	<u>\$ 25,434</u>	<u>\$ 36,273</u>	<u>\$ 61,707</u>

17. SHARE CAPITAL

CANOPY GROWTH

Authorized

An unlimited number of common shares and exchangeable shares (the “Exchangeable Shares”).

(i) Equity financings

On February 28, 2025, the Company established a new at-the-market equity program that allows it to issue and sell up to US\$200,000 of common shares of the Company to the public from time to time at the Company's discretion (the “February 2025 ATM Program”) pursuant to an equity distribution agreement (as amended, the “2025 Equity Distribution Agreement”) entered into among the Company and BMO Nesbitt Burns Inc., as Canadian agent, and BMO Capital Markets Corp., as U.S. agent (together, the “Agents”). The February 2025 ATM Program will be effective until the earlier of (i) the issuance and sale of all of the common shares issuable pursuant to the February 2025 ATM Program; (ii) the date on which the Company receives notice from a securities regulatory authority that the Company's Canadian short form base shelf prospectus dated June 5, 2024 and/or the Company's registration statement, as amended, filed with the SEC has ceased to be effective; and (iii) July 5, 2026, unless terminated earlier in accordance with the terms of the 2025 Equity Distribution Agreement. The 2025 Equity Distribution Agreement replaced the equity distribution agreement dated June 6, 2024, among the Company and the Agents that established the Company's prior at-the-market equity program (the “June 2024 ATM Program”).

During the three months ended June 30, 2025, the Company sold 21,006,528 common shares for gross proceeds of \$38,261 under the February 2025 ATM Program. Refer to Note 28 for additional information on common shares sold after June 30, 2025 under the February 2025 ATM Program.

During the three months ended June 30, 2024, the Company sold 4,747,064 common shares for gross proceeds of \$46,291 under the June 2024 ATM Program.

(ii) Other issuances of common shares and share capital transactions

During the three months ended June 30, 2025, the Company had the following other issuances and share capital transactions:

	Number of common shares	Share capital	Share and warrant reserve
Other issuances and share issue costs	-	\$ (1,585)	\$ -
Total	<u>-</u>	<u>\$ (1,585)</u>	<u>\$ -</u>

During the three months ended June 30, 2024, the Company had the following other issuances and share capital transactions:

	Number of common shares	Share capital	Share based reserve
Other issuances and share issue costs	-	\$ (3,189)	\$ -
Total	<u>-</u>	<u>\$ (3,189)</u>	<u>\$ -</u>

(iii) Warrants

	Number of whole warrants	Average exercise price	Warrant value
Balance outstanding at March 31, 2025	15,483,580	\$ 10.47	\$ 2,628,137
Issuance of warrants	-	-	-
Balance outstanding at June 30, 2025	15,483,580	\$ 10.09	\$ 2,628,137

	Number of whole warrants	Average exercise price	Warrant value
Balance outstanding at March 31, 2024	10,451,457	\$ 9.12	\$ 2,610,519
Issuance of warrants	3,350,430	16.18	8,697
Expiry of warrants	(1,145,760)	6.61	(2,702)
Balance outstanding at June 30, 2024	12,656,127	\$ 11.29	\$ 2,616,514

(iv) Issuances of Exchangeable Shares

During the three months ended June 30, 2025, the Company did not issue any Exchangeable Shares.

On April 18, 2024, Greenstar Canada Investment Limited Partnership (“Greenstar”) and CBG Holdings LLC, indirect, wholly-owned subsidiaries of Constellation Brands, Inc., exchanged all 17,149,925 Canopy Growth common shares they collectively held for 17,149,925 Exchangeable Shares for no consideration. In addition, an additional 9,111,549 Exchangeable Shares were issued to Greenstar in connection with Greenstar’s conversion of approximately \$81,220 of the principal amount of the \$100,000 principal amount promissory note issued to Greenstar and payable on December 31, 2024, calculated based on a price per Exchangeable Share equal to \$8.91. The Exchangeable Shares are convertible at any time, at the option of the holder, into Canopy Growth common shares on a one for one basis.

18. 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 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 issuance upon the exercise, vesting or settlement, as applicable, of Awards granted pursuant to the Omnibus Equity Incentive Plan and the Previous Equity Incentive Plan is 20,514,724 as at June 30, 2025. As of June 30, 2025, 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 of directors of the Company, 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.

The following is a summary of the changes in the Options outstanding during the three months ended June 30, 2025:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2025	3,648,915	\$ 32.81
Options granted	2,524,039	2.00
Options expired/forfeited	(224,226)	53.84
Balance outstanding at June 30, 2025	<u>5,948,728</u>	<u>\$ 18.86</u>

The following is a summary of the Options outstanding as at June 30, 2025:

Range of Exercise Prices	Options Outstanding		Options Exercisable	
	Outstanding at June 30, 2025	Weighted Average Remaining Contractual Life (years)	Exercisable at June 30, 2025	Weighted Average Remaining Contractual Life (years)
\$2.00 - \$7.50	4,712,937	4.25	1,306,632	3.48
\$7.51 - \$56.10	958,571	3.75	480,199	3.43
\$56.11 - \$445.80	277,220	0.58	169,346	0.67
	<u>5,948,728</u>	<u>4.00</u>	<u>1,956,177</u>	<u>3.22</u>

At June 30, 2025, the weighted average exercise price of the Options outstanding and Options exercisable was \$18.86 and \$35.28, respectively (March 31, 2025 – \$32.81 and \$63.41, respectively).

The Company recorded \$(330) in share-based compensation expense related to Options issued to employees and contractors for the three months ended June 30, 2025 (three months ended June 30, 2024 – \$3,257). The share-based compensation expense for the three months ended June 30, 2025 includes a large expense reversal resulting from higher estimated forfeitures relating to the departure of certain executives of the Company.

The Company uses the Black-Scholes option pricing model to establish the fair value of Options granted during the three months ended June 30, 2025 and 2024, on their measurement date by applying the following assumptions:

	June 30, 2025	June 30, 2024
Risk-free interest rate	2.73%	3.66%
Expected life of options (years)	3 - 5	3 - 5
Expected volatility	121%	117%
Expected forfeiture rate	18%	20%
Expected dividend yield	nil	nil
Black-Scholes value of each Option	\$1.57	\$8.05

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 months ended June 30, 2025, the Company recorded \$231 in share-based compensation expense related to RSUs and PSUs (for the three months ended June 30, 2024 – \$894).

The following is a summary of the changes in the Company's RSUs and PSUs during the three months ended June 30, 2025:

	Number of RSUs and PSUs
Balance outstanding at March 31, 2025	1,359,685
RSUs granted	3,348,819
RSUs and PSUs released	(275,412)
RSUs and PSUs cancelled and forfeited	(70,068)
Balance outstanding at June 30, 2025	<u>4,363,024</u>

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income includes the following components:

	Foreign currency translation adjustments	Accumulated other comprehensive income (loss)
As at March 31, 2025	\$ 535	\$ 535
Other comprehensive income	6,713	6,713
As at June 30, 2025	<u>\$ 7,248</u>	<u>\$ 7,248</u>

	Foreign currency translation adjustments	Changes of own credit risk of financial liabilities	Accumulated other comprehensive income (loss)
As at March 31, 2024	\$ (31,178)	\$ 15,127	\$ (16,051)
Disposal of consolidated entities	10,398	-	10,398
Extinguishment of promissory note and issuance of exchangeable shares	-	(15,127)	(15,127)
Other comprehensive loss	(768)	-	(768)
As at June 30, 2024	<u>\$ (21,548)</u>	<u>\$ -</u>	<u>\$ (21,548)</u>

20. NONCONTROLLING INTERESTS

For the three months ended June 30, 2025, the Company did not have any noncontrolling interest balances or activity.

The net change in the Company's noncontrolling interest for the three months ended June 30, 2024 is as follows:

	Other	Total
As at March 31, 2024	\$ 139	\$ 139
Canopy USA Transaction	(139)	(139)
As at June 30, 2024	<u>\$ -</u>	<u>\$ -</u>

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The following table represents the Company's financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
June 30, 2025				
Assets:				
Short-term investments	\$ 17,427	\$ -	\$ -	\$ 17,427
Restricted short-term investments	5,828	-	-	5,828
Other investments	46	-	159,768	159,814

March 31, 2025				
Assets:				
Short-term investments	\$ 17,656	\$ -	\$ -	\$ 17,656
Restricted short-term investments	6,410	-	-	6,410
Other investments	46	-	177,827	177,873

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
Canopy USA, LLC Equity Method Investment	Asset based approach	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Expected future cash flows	Increase or decrease in expected future cash flows will result in an increase or decrease in fair value
		Volatility of Wana and Jetty equity	Increase or decrease in volatility will result in an increase or decrease in fair value
Canopy USA LPs Equity Method Investment	Asset based approach	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Elevate Loan Receivable	Lesser of discounted cash flow and debtor net assets	Equity value of Canopy USA	Increase or decrease in equity value will result in an increase or decrease in fair value
Acreage Debt	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value

22. REVENUE

Revenue is disaggregated as follows:

	Three months ended	
	June 30, 2025	June 30, 2024
Cannabis		
Canadian adult-use cannabis ¹	\$ 27,021	\$ 18,883
Canadian medical cannabis ²	21,206	18,795
International markets cannabis	8,755	8,415
	<u>\$ 56,982</u>	<u>\$ 46,093</u>
Storz & Bickel	\$ 15,152	\$ 20,119
Net revenue	<u>\$ 72,134</u>	<u>\$ 66,212</u>

¹Canadian adult-use net revenue during the three months ended June 30, 2025 includes excise taxes of \$14,199 (three months ended June 30, 2024 – \$7,517).

²Canadian medical cannabis net revenue for the three months ended June 30, 2025 includes excise taxes of \$2,415 (three months ended June 30, 2024 – \$2,054).

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 \$923 for the three months ended June 30, 2025 (three months ended June 30, 2024 – \$1,200). As of June 30, 2025, the liability for estimated returns and price adjustments was \$3,275 (March 31, 2025 – \$2,661).

23. OTHER INCOME (EXPENSE), NET

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

	Three months ended	
	June 30, 2025	June 30, 2024
Fair value changes on Canopy USA related assets	\$ (10,049)	\$ (72,334)
Fair value changes on other financial assets	-	(2,823)
Fair value changes on acquisition related contingent consideration and other	-	(26,755)
Gain related to settlement of debt	-	22,119
Interest income	1,057	2,058
Interest expense	(9,739)	(21,143)
Foreign currency gain	153	33
Other income (expense), net	(34)	4,956
	<u>\$ (18,612)</u>	<u>\$ (93,889)</u>

24. INCOME TAXES

There have been no material changes to income tax matters in connection with normal course operations during the three months ended June 30, 2025.

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

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

25. ACREAGE ARRANGEMENT

On December 9, 2024, Canopy USA completed the Acreage Acquisition and now owns 100% of the issued and outstanding shares of Acreage. In connection with: (i) the Existing Acreage Arrangement Agreement and the amended and restated plan of arrangement (the “Acreage Amended Arrangement”) implemented by Canopy Growth and Acreage on September 23, 2020 in connection with the Existing Acreage Arrangement Agreement; and (ii) the Floating Share Arrangement Agreement, Canopy USA acquired all of the issued and outstanding Floating Shares of Acreage on the terms and conditions set forth in Floating Share Arrangement. Immediately following the implementation of the Floating Share Arrangement, Canopy USA completed the Fixed Share Acquisition. In aggregate, Canopy Growth issued 5,888,291 common shares to former shareholders of Acreage.

Pursuant to the Floating Share Arrangement, (i) each outstanding stock option to acquire Floating Shares was exchanged for a replacement option exercisable for Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such options adjusted by the Floating Share Exchange Ratio; (ii) each outstanding warrant to acquire Floating Shares was exchanged for a replacement warrant to acquire Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such warrants adjusted by the Floating Share Exchange Ratio; and (iii) each outstanding restricted share unit, performance share and performance unit, as applicable, that vested into Floating Shares was exchanged for a replacement restricted share unit, performance share or performance unit, as applicable, that vests into Canopy Growth common shares, with the number of underlying Canopy Growth common shares adjusted by the Floating Share Exchange Ratio.

In connection with the Fixed Share Acquisition, (i) each outstanding stock option to acquire Fixed Shares was exchanged for a replacement option exercisable for Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such options adjusted by the Fixed Share Exchange Ratio; (ii) each outstanding warrant to acquire Fixed Shares was exchanged for a replacement warrant to acquire Canopy Growth common shares, with the number of underlying Canopy Growth common shares and exercise price of such warrants adjusted by the Fixed Share Exchange Ratio; and (iii) each restricted share unit and performance share unit, as applicable, that vested into Fixed Shares was exchanged for a replacement restricted share unit or performance share unit, as applicable, that vests into Canopy Growth common shares, with the number of underlying Canopy Growth common shares adjusted by the Fixed Share Exchange Ratio.

See Note 3 for information regarding the Reorganization, Reorganization Amendments and Additional Reorganization Amendments. In connection with the Reorganization and the Floating Share Arrangement Agreement, Canopy Growth irrevocably waived the Acreage Floating Option. 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 enabled Canopy USA to consummate the acquisition of Acreage. See Note 3 for more details related to the Acreage Acquisition.

26. COMMITMENTS AND CONTINGENCIES

Legal proceedings

In the ordinary course of business, the Company is at times subject to various legal proceedings and disputes. 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 three months ended June 30, 2025, there have been no material changes with respect to provisions relating to legal proceedings for the Company.

27. SEGMENT INFORMATION

Reportable segments

Prior to the three months ended June 30, 2025, the Company had the following four reportable segments: (i) Canada cannabis, (ii) International markets cannabis, (iii) Storz & Bickel, and (iv) This Works (divested December 18, 2023). Following a change in the CODM (as defined below) and internal reorganizations initiated by the Company in the three months ended March 31, 2025, the Company has changed the structure of its internal management reporting. Accordingly, as of the three months ended June 30, 2025, the Company began reporting its financial results for the following two reportable segments:

- **Cannabis** - includes the global production, distribution and sale of a diverse range of cannabis and cannabis-related products. Sales in Canada are pursuant to the *Cannabis Act*, while international sales are pursuant to applicable international legislation, regulations and permits; and
- **Storz & Bickel** - includes the production, distribution and sale of vaporizers and accessories.

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.

	Three months ended	
	June 30, 2025	June 30, 2024
Segmented net revenue		
Cannabis	\$ 56,982	\$ 46,093
Storz & Bickel	15,152	20,119
	<u>\$ 72,134</u>	<u>\$ 66,212</u>
Segmented gross margin:		
Cannabis	\$ 13,591	\$ 15,271
Storz & Bickel	4,447	7,760
	<u>18,038</u>	<u>23,031</u>
Selling, general and administrative expenses	38,108	47,968
Share-based compensation	(99)	4,151
Loss on asset impairment and restructuring	2,653	20
Operating loss from continuing operations	(22,624)	(29,108)
Other income (expense), net	(18,612)	(93,889)
Loss from continuing operations before incomes taxes	<u>\$ (41,236)</u>	<u>\$ (122,997)</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	
	June 30, 2025	June 30, 2024
Canada	\$ 48,228	\$ 37,678
Germany	14,381	15,514
United States	5,972	8,615
Other	3,553	4,405
	<u>\$ 72,134</u>	<u>\$ 66,212</u>

Disaggregation of property, plant and equipment by geographic area:

	June 30, 2025	March 31, 2025
Canada	\$ 235,743	\$ 239,382
Germany	54,611	53,079
Other	920	1,062
	<u>\$ 291,274</u>	<u>\$ 293,523</u>

For the three months ended June 30, 2025, one customer represented greater than 10% of the Company's net revenue (three months ended June 30, 2024 – none).

28. SUBSEQUENT EVENTS

February 2025 ATM Program

Since June 30, 2025, the Company sold an additional 34,606,351 common shares under the February 2025 ATM Program for gross proceeds of \$54,320.

Credit Facility Prepayments

On July 29, 2025, the Company entered into an agreement (the "Third Paydown Agreement") with certain lenders under its Credit Facility. Pursuant to the Third Paydown Agreement, the Company is required to make the following prepayments: (i) US\$25,000 at par on or about July 31, 2025; (ii) US\$10,000 at par on or prior to December 31, 2025; and (iii) US\$15,000 at par on or prior to March 31, 2026. On July 31, 2025, the Company made the first of the three prepayments required under the Third Paydown Agreement, which resulted in an aggregate principal reduction of US\$25,000 under the Company's Credit Facility.