

CANOPY GROWTH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2024
(IN CANADIAN DOLLARS)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm (PCAOB IDs: current auditor: 127, previous auditor: 85)	F-2
Consolidated Balance Sheets as of March 31, 2024 and 2023	F-7
Consolidated Statements of Operations and Comprehensive Loss for the Years Ended March 31, 2024, 2023, and 2022	F-8
Consolidated Statements of Shareholders' Equity for the Years Ended March 31, 2024, 2023, and 2022	F-9
Consolidated Statements of Cash Flows for the Years Ended March 31, 2024, 2023, and 2022	F-12
Notes to Consolidated Financial Statements	F-14

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Canopy Growth Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Canopy Growth Corporation and subsidiaries (the “Company”) as of March 31, 2024, the related consolidated statements of operations and comprehensive loss, shareholders’ equity, and cash flows for the year ended March 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations and its cash flows for the year ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 30, 2024, expressed an unqualified opinion.

We also audited the adjustments to the March 31, 2023 and 2022 consolidated financial statements to apply the retrospective adjustments relating to the share consolidation and the reporting of discontinued operations for the years ended March 31, 2023 and 2022 as described in Notes 2 and 6. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Company’s March 31, 2023 and 2022 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the March 31, 2023 and 2022 consolidated financial statements as a whole.

Basis for Opinion

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

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

Critical Audit Matters

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

Going Concern

As discussed in Note 2 to the consolidated financial statements, the Company raised substantial doubt about its ability to continue as a going concern for at least twelve months from the issuance of these 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 its business and operations. The Company concluded that the substantial doubt raised about the Company’s ability to continue as a going concern has been alleviated as a result of management’s plans discussed in Note 2.

We identified the Company’s going concern assessment as a critical audit matter. There was a high degree of subjective auditor judgment in the evaluation of the key assumptions that were not directly observable when developing the financial forecast. The key assumptions in the Company’s financial forecast included projections of cash flows, revenue and operating expenses.

The following are the primary procedures we performed to address this critical audit matter:

- Evaluated the design and tested the operating effectiveness of the internal control related to the Company’s going concern assessment process.
- Reviewed agreements and other documentation related to transactions that occurred subsequent to year end which resulted in the Company receiving additional cash proceeds and modifying existing financing arrangements.
- Tested management’s process for estimating the financial forecast, including the mathematical accuracy of the calculations and the completeness and accuracy of the information used in the calculations. Our procedures included analyzing historical performance, industry trends, and other economic conditions to evaluate the reasonableness of key assumptions related to the projections of cash flows, revenue, and operating expenses.
- Performed sensitivity analysis on key assumptions within the financial forecast.
- Used the financial forecast to evaluate the company's liquidity position, including its ability to meet its obligations as they become due within one year after the date that the financial statements are issued.
- Evaluated the Company’s compliance with contractual financial arrangements, including debt covenants.
- Assessed the appropriateness of disclosures in the consolidated financial statements.

Fair value measurement of the Acreage, TerrAscend, Wana, and Jetty financial instruments

As discussed in Notes 5, 13, 25 and 31 to the consolidated financial statements, the Company has an obligation to acquire certain shares of various United States (“U.S.”) cannabis operators, (“Operators”) in return for a specified number of the Company’s common shares, and an option, exercisable at its discretion, to acquire certain other Operators’ shares in return for a specified number of the Company’s common shares. The obligation and the option (collectively, the “financial instruments”) become effective upon the occurrence (or waiver by the Company) of specified changes in U.S. federal laws relating to the legalization of cannabis or other conditions relating to the Company’s reorganization as discussed in Note 5. The financial instruments are recorded at fair value through earnings in the consolidated financial statements at each reporting period. As of March 31, 2024, the Operators’ financial instruments were recorded as a financial asset of \$423.5 million, with a fair value loss of \$123.6 million recognized in other income (expense), net, in the year ended March 31, 2024.

We identified the assessment of the fair value measurement of the financial instruments as a critical audit matter. There was a high degree of subjective auditor judgment in the evaluation of the key assumptions that were not directly observable, when determining the fair value of the financial instruments. The key assumptions included the probability of each scenario, the intrinsic value of the Operators, the probability and timing of U.S. legalization, the estimated premium on U.S. legalization, and the control premium. Additionally, the audit effort associated with the evaluation of the discount rate required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter:

- Evaluated the design and tested the operating effectiveness of the internal control over the Company’s key assumptions noted above.
- Involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company’s key assumptions noted above. The evaluation was achieved by applying the below procedures as applicable to the various financial instruments:
 - Evaluated the probability of each scenario by analyzing the Operators’ and Canopy share prices, reading analyst reports, inspecting board meeting minutes, press releases, and public filings, and assessing the financial performance of the Operators.
 - Evaluated the intrinsic value of the Operators by considering both the Operators’ share price and the enterprise values of comparable public companies.
 - Evaluated the probability and timing of U.S. legalization by monitoring political developments and the potential for relevant legislation in the U.S.
 - Evaluated the estimated premium on U.S. legalization by assessing the impact of cannabis legalization in Canada on the share prices of Canadian cannabis licensed producers at the time of Canadian legalization, analyzing the differences between the Canadian and U.S. cannabis markets, and assessing the extent to which the anticipated U.S. legalization of cannabis is reflected in the Operator’s share price and option value.
 - Evaluated the control premium by comparing it to third party evidence, including publicly available market data for comparable transactions.

- Performed sensitivity analyses on certain assumptions for each scenario, the Discount for Lack of Marketability (DLOM) based on Asian Put Option, the Black Scholes Calculation, the Monte-Carlo simulation, the Discounted Cash Flow valuation, the Put Option, and for the Fair Value conclusions.
- Corroborated market inputs used in valuation models such as volatility, risk free rates, and stock prices.
- Assessed the appropriateness of disclosures in the consolidated financial statements.

Goodwill impairment assessment of the Storz & Bickel reporting unit

As discussed in Notes 3 and 16 to the consolidated financial statements, the Company reviews goodwill annually for impairment in the fourth quarter, or sooner if events or circumstances indicate that its carrying amount may not be recoverable. The Company may elect to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If factors indicate this is the case, then a quantitative test is performed and an impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of the goodwill. The fair value of the Storz & Bickel ("S&B") reporting unit was determined using the income valuation method. An impairment of \$42.1 million was recognized as the estimated fair value of the S&B reporting unit was less than its carrying value. The carrying value at March 31, 2024, of the goodwill associated with the Storz & Bickel reporting unit was \$43.2 million.

We identified the evaluation of the recoverability of the carrying value of goodwill for the S&B reporting unit as a critical audit matter. Specifically, our evaluation of certain assumptions, including revenue growth rate projections and the discount rate, required a high degree of auditor judgment as they were based on subjective determinations of future market and economic conditions. Additionally, the audit effort associated with the evaluation of the discount rate required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter.

- We evaluated the design and tested the operating effectiveness of the internal control related to the Company's goodwill impairment process.
- We evaluated the reasonableness of the Company's revenue growth rate projections for the S&B reporting unit by comparing these to publicly available market data, the Company's business strategy, and historical performance.
- We involved valuation professionals with specialized skills and knowledge, who assisted in:
 - Performing sensitivity analysis on the impairment testing.
 - Performing sensitivity analysis on the Discounted Cash Flow Method.
 - Evaluating the discount rate by comparing it against a range of discount rates that was independently developed using publicly available market data for comparable entities.
 - Developing an estimate of the S&B reporting unit's fair value using the reporting unit's cash flow forecast and an independently developed discount rate and comparing the results of our estimate of fair value to the Company's fair value estimate.
- Assessed the appropriateness of disclosures in the consolidated financial statements.

/s/ PKF O'Connor Davies, LLP

We have served as the Company's auditor since 2023.

New York, New York

May 30, 2024

PCAOB ID No. 127

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Canopy Growth Corporation:

Opinion on the Consolidated Financial Statements

We have audited, before the effects of the retrospective adjustments relating to the share consolidation and the reporting of discontinued operations as described in Notes 2 and 6, respectively, the consolidated balance sheet of Canopy Growth Corporation and subsidiaries (the Company) as of March 31, 2023, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2023, and the related notes (collectively, the consolidated financial statements). The 2023 and 2022 consolidated financial statements, before the effects of the retrospective adjustments relating to the share consolidation and the reporting of discontinued operations as described in Notes 2 and 6, are not presented herein.

In our opinion, the consolidated financial statements, before the effects of the retrospective adjustments relating to the share consolidation and the reporting of discontinued operations as described in Notes 2 and 6, respectively, present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2023, in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments relating to the share consolidation and to the reporting of discontinued operations as described in Notes 2 and 6, respectively, and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has material debt obligations coming due in the short-term, has suffered recurring losses from operations and requires additional capital to fund its operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We served as the Company's auditor from 2018 to 2023.

Ottawa, Canada
June 22, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of Canopy Growth Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Canopy Growth Corporation's (the "Company") internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control–Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet of the Company as of March 31, 2024, and the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for the year ended March 31, 2024, and our report dated May 30, 2024, expressed an unqualified opinion.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PKF O'Connor Davies, LLP

New York, New York
May 30, 2024

CANOPY GROWTH CORPORATION
CONSOLIDATED BALANCE SHEETS

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

	March 31, 2024	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 170,300	\$ 667,693
Short-term investments	33,161	105,526
Restricted short-term investments	7,310	11,765
Amounts receivable, net	51,847	68,459
Inventory	77,292	83,230
Assets of discontinued operations	8,038	116,291
Prepaid expenses and other assets	23,232	24,290
Total current assets	371,180	1,077,254
Other financial assets	437,629	568,292
Property, plant and equipment	320,103	471,271
Intangible assets	104,053	160,750
Goodwill	43,239	85,563
Noncurrent assets of discontinued operations	-	56,569
Other assets	24,126	19,996
Total assets	<u>\$ 1,300,330</u>	<u>\$ 2,439,695</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 28,673	\$ 31,835
Other accrued expenses and liabilities	54,039	53,743
Current portion of long-term debt	103,935	556,890
Liabilities of discontinued operations	-	67,624
Other liabilities	48,068	93,750
Total current liabilities	234,715	803,842
Long-term debt	493,294	749,991
Noncurrent liabilities of discontinued operations	-	3,417
Other liabilities	71,814	122,423
Total liabilities	799,823	1,679,673
Commitments and contingencies		
Canopy Growth Corporation shareholders' equity:		
Common shares - \$nil par value; Authorized - unlimited number of shares;		
Issued and outstanding - 91,115,501 shares and 51,730,555 shares, respectively ¹	8,244,301	7,938,571
Additional paid-in capital	2,602,148	2,506,485
Accumulated other comprehensive loss	(16,051)	(13,860)
Deficit	(10,330,030)	(9,672,761)
Total Canopy Growth Corporation shareholders' equity	500,368	758,435
Noncontrolling interests	139	1,587
Total shareholders' equity	500,507	760,022
Total liabilities and shareholders' equity	<u>\$ 1,300,330</u>	<u>\$ 2,439,695</u>

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

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

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

	Years ended March 31,		
	2024	2023	2022
Revenue	\$ 343,934	\$ 381,250	\$ 537,592
Excise taxes	46,788	47,997	61,893
Net revenue	297,146	333,253	475,699
Cost of goods sold	216,264	396,782	663,113
Gross margin	80,882	(63,529)	(187,414)
Operating expenses			
Selling, general and administrative expenses	229,429	342,517	415,445
Share-based compensation	14,180	25,322	46,686
Loss on asset impairment and restructuring	65,987	2,199,146	369,254
Total operating expenses	309,596	2,566,985	831,385
Operating loss from continuing operations	(228,714)	(2,630,514)	(1,018,799)
Loss from equity method investments	-	-	(100)
Other income (expense), net	(242,641)	(455,644)	751,041
Loss from continuing operations before income taxes	(471,355)	(3,086,158)	(267,858)
Income tax (expense) recovery	(12,327)	5,728	8,948
Net loss from continuing operations	(483,682)	(3,080,430)	(258,910)
Net loss from discontinued operations, net of income tax	(192,113)	(229,116)	(71,657)
Net loss	(675,795)	(3,309,546)	(330,567)
Net loss from continuing operations attributable to noncontrolling interests and redeemable noncontrolling interest	-	(1,897)	(4,372)
Net loss from discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interest	(18,526)	(29,491)	(16,152)
Net loss attributable to Canopy Growth Corporation	\$ (657,269)	\$ (3,278,158)	\$ (310,043)
Basic and diluted loss per share¹			
Continuing operations	\$ (6.47)	\$ (66.39)	\$ (6.50)
Discontinued operations	(2.32)	(4.30)	(1.42)
Basic and diluted loss per share	\$ (8.79)	\$ (70.69)	\$ (7.92)
Basic and diluted weighted average common shares outstanding ¹	74,787,521	46,372,441	39,132,428
Comprehensive income (loss):			
Net loss from continuing operations	\$ (483,682)	\$ (3,080,430)	\$ (258,910)
Other comprehensive income (loss), net of income tax			
Fair value changes of own credit risk of financial liabilities	(12,334)	30,722	21,180
Foreign currency translation	(917)	27,207	(45,352)
Total other comprehensive income (loss), net of income tax	(13,251)	57,929	(24,172)
Comprehensive loss from continuing operations	(496,933)	(3,022,501)	(283,082)
Comprehensive loss from discontinued operations	(192,113)	(229,116)	(71,657)
Comprehensive loss	(689,046)	(3,251,617)	(354,739)
Comprehensive loss from continuing operations attributable to noncontrolling interests and redeemable noncontrolling interest	-	(1,897)	(4,372)
Comprehensive loss from discontinued operations attributable to noncontrolling interests and redeemable noncontrolling interest	(18,526)	(29,491)	(16,152)
Comprehensive loss attributable to Canopy Growth Corporation	\$ (670,520)	\$ (3,220,229)	\$ (334,215)

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

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

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

	Year ended March 31, 2024								
	Common shares	Additional paid-in capital			Redeemable noncontrolling interest	Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
Share-based reserve		Warrants	Ownership changes						
Balance at March 31, 2023	\$ 7,938,571	\$ 498,150	\$ 2,581,788	\$ (521,961)	\$ (51,492)	\$ (13,860)	\$ (9,672,761)	\$ 1,587	\$ 760,022
Private Placement, net of issuance costs	37,212	9,820	28,731	-	-	-	-	-	75,763
Other issuances of common shares	252,576	(80)	-	-	-	11,060	-	-	263,556
Exercise of Previous Equity Incentive Plan stock options	293	(293)	-	-	-	-	-	-	-
Share-based compensation	-	14,180	-	-	-	-	-	-	14,180
Issuance and vesting of restricted share units and performance share units	7,199	(7,199)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	(18,526)	-	-	18,526	-
Ownership changes relating to noncontrolling interests, net	-	-	-	-	70,018	-	-	(1,436)	68,582
Redemption of redeemable noncontrolling interest	8,450	-	-	(988)	-	-	-	(12)	7,450
Comprehensive loss	-	-	-	-	-	(13,251)	(657,269)	(18,526)	(689,046)
Balance at March 31, 2024	<u>\$ 8,244,301</u>	<u>\$ 514,578</u>	<u>\$ 2,610,519</u>	<u>\$ (522,949)</u>	<u>\$ -</u>	<u>\$ (16,051)</u>	<u>\$ (10,330,030)</u>	<u>\$ 139</u>	<u>\$ 500,507</u>

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

	Year ended March 31, 2023								Total
	Common shares	Additional paid-in capital			Redeemable noncontrolling interest	Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	
	Share-based reserve	Warrants	Ownership changes						
Balance at March 31, 2022	\$ 7,482,809	\$ 492,041	\$ 2,581,788	\$ (509,723)	\$ (42,860)	\$ (42,282)	\$ (6,378,199)	\$ 4,341	\$ 3,587,915
Cumulative effect from adoption of ASU 2020-06	-	4,452	-	-	-	-	(729)	-	3,723
Other issuances of common shares	141,996	(1,951)	-	-	-	-	-	-	140,045
Exercise of Previous Equity Incentive Plan stock options	1,597	(1,316)	-	-	-	-	-	-	281
Share-based compensation	-	25,322	-	-	-	-	-	-	25,322
Issuance and vesting of restricted share units and performance share units	20,398	(20,398)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	4,723	17,630	-	-	29,544	51,897
Ownership changes relating to noncontrolling interests, net	-	-	-	-	-	-	-	710	710
Redemption of redeemable noncontrolling interest	26,506	-	-	(16,961)	(26,262)	-	(15,675)	(1,620)	(34,012)
Settlement of unsecured senior notes	265,265	-	-	-	-	(29,507)	-	-	235,758
Comprehensive income (loss)	-	-	-	-	-	57,929	(3,278,158)	(31,388)	(3,251,617)
Balance at March 31, 2023	<u>\$ 7,938,571</u>	<u>\$ 498,150</u>	<u>\$ 2,581,788</u>	<u>\$ (521,961)</u>	<u>\$ (51,492)</u>	<u>\$ (13,860)</u>	<u>\$ (9,672,761)</u>	<u>\$ 1,587</u>	<u>\$ 760,022</u>

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

	Year ended March 31, 2022								
	Common shares	Additional paid-in capital			Redeemable noncontrolling interest	Accumulated other comprehensive income (loss)	Deficit	Noncontrolling interests	Total
Share-based reserve		Warrants	Ownership changes						
Balance at March 31, 2021	\$ 7,168,557	\$ 480,786	\$ 2,568,438	\$ (512,340)	\$ (121,234)	\$ (34,240)	\$ (6,068,156)	\$ 4,709	\$ 3,486,520
Other issuances of common shares and warrants	298,145	(30,457)	-	-	-	-	-	-	267,688
Replacement equity instruments from the acquisition of Supreme Cannabis	-	5,566	13,350	-	-	-	-	-	18,916
Exercise of Previous Equity Incentive Plan stock options	8,855	(3,288)	-	-	-	-	-	-	5,567
Share-based compensation	-	46,686	-	-	-	-	-	-	46,686
Issuance and vesting of restricted share units	7,252	(7,252)	-	-	-	-	-	-	-
Changes in redeemable noncontrolling interest	-	-	-	-	83,483	-	-	19,317	102,800
Ownership changes relating to noncontrolling interests	-	-	-	-	-	-	-	839	839
Redemption of redeemable noncontrolling interests	-	-	-	2,617	(5,109)	-	-	-	(2,492)
Disposal of consolidated entities	-	-	-	-	-	16,130	-	-	16,130
Comprehensive loss	-	-	-	-	-	(24,172)	(310,043)	(20,524)	(354,739)
Balance at March 31, 2022	<u>\$ 7,482,809</u>	<u>\$ 492,041</u>	<u>\$ 2,581,788</u>	<u>\$ (509,723)</u>	<u>\$ (42,860)</u>	<u>\$ (42,282)</u>	<u>\$ (6,378,199)</u>	<u>\$ 4,341</u>	<u>\$ 3,587,915</u>

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

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

	Years ended March 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net loss	\$ (675,795)	\$ (3,309,546)	\$ (330,567)
Loss from discontinued operations, net of income tax	(192,113)	(229,116)	(71,657)
Net loss from continuing operations	(483,682)	(3,080,430)	(258,910)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment	28,376	55,575	76,136
Amortization of intangible assets	24,800	24,458	34,805
Share of loss on equity method investments	-	-	100
Share-based compensation	14,180	25,322	46,686
Loss on asset impairment and restructuring	53,797	2,170,588	332,949
Income tax expense (recovery)	12,327	(5,728)	(8,948)
Non-cash fair value adjustments and charges related to settlement of unsecured senior notes	160,468	353,827	(866,739)
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Amounts receivable	(3,749)	6,242	16,153
Inventory	1,034	68,438	204,219
Prepaid expenses and other assets	(2,433)	12,530	27,594
Accounts payable and other accrued expenses and accrued liabilities	9,115	(28,240)	(42,962)
Other, including non-cash foreign currency	(42,654)	2,995	(7,367)
Net cash used in operating activities - continuing operations	(228,421)	(394,423)	(446,284)
Net cash used in operating activities - discontinued operations	(53,529)	(163,123)	(99,527)
Net cash used in operating activities	(281,950)	(557,546)	(545,811)
Cash flows from investing activities:			
Purchases of and deposits on property, plant and equipment	(3,449)	(9,114)	(36,684)
Purchases of intangible assets	(547)	(1,337)	(11,429)
Proceeds on sale of property, plant and equipment	154,052	13,609	27,279
Redemption of short-term investments	78,549	502,589	546,010
Net cash (outflow) proceeds on sale of subsidiaries	(955)	14,932	118,149
Net cash outflow on acquisition of subsidiaries	-	-	(14,947)
Investment in other financial assets	(347)	(67,150)	(379,414)
Other investing activities	(7,705)	3,900	(18,126)
Net cash provided by investing activities - continuing operations	219,598	457,429	230,838
Net cash provided by (used in) investing activities - discontinued operations	21,992	(24,050)	(19)
Net cash provided by investing activities	241,590	433,379	230,819
Cash flows from financing activities:			
Proceeds from issuance of common shares and warrants	81,063	1,049	2,700
Proceeds from exercise of stock options	-	281	5,567
Issuance of long-term debt and convertible debentures	-	135,160	-
Repayment of long-term debt	(509,779)	(118,179)	(50,763)
Other financing activities	(36,339)	(38,005)	(3,037)
Net cash used in financing activities	(465,055)	(19,694)	(45,533)
Effect of exchange rate changes on cash and cash equivalents	(1,292)	44,863	(18,123)
Net decrease in cash and cash equivalents	(506,707)	(98,998)	(378,648)
Cash and cash equivalents, beginning of period ¹	677,007	776,005	1,154,653
Cash and cash equivalents, end of period ²	\$ 170,300	\$ 677,007	\$ 776,005

¹ Includes cash of our discontinued operations of \$9,314, \$13,610 and \$4,768 for March 31, 2023, 2022 and 2021, respectively.

² Includes cash of our discontinued operations of \$nil, \$9,314 and \$13,610 for March 31, 2024, 2023 and 2022, respectively.

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

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

	Years ended March 31,		
	2024	2023	2022
Supplemental disclosure of cash flow information			
Cash received during the period:			
Income taxes	\$ 6,238	\$ 5,511	\$ 1,299
Interest	\$ 18,097	\$ 28,500	\$ 16,175
Cash paid during the period:			
Income taxes	\$ 2,082	\$ 1,184	\$ 2,641
Interest	\$ 98,118	\$ 131,824	\$ 119,249
Noncash investing and financing activities			
Additions to property, plant and equipment	\$ 106	\$ 38	\$ 1,408

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

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

1. DESCRIPTION OF BUSINESS

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

The principal activities of the Company are the production, distribution and sale of a diverse range of cannabis and cannabinoid-based products for both adult-use and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, SC 2018, c 16 (the “*Cannabis Act*”), which came into effect on October 17, 2018 and regulates both the medical and adult-use cannabis markets in Canada. The Company has also expanded to jurisdictions outside of Canada where cannabis and/or hemp is federally lawful, permissible and regulated, and the Company, through its subsidiaries, operates in the United States, Australia, Germany, and certain other global markets. Additionally, the Company produces, distributes and sells vaporizers and similar cannabis accessories.

2. BASIS OF PRESENTATION

The consolidated financial statements as of and for the years ended March 31, 2024, 2023, and 2022 have been presented in Canadian dollars and are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Canopy Growth has determined that the Canadian dollar is the most relevant and appropriate reporting currency as, despite continuing shifts in the relative size of our operations across multiple geographies, the majority of our operations are conducted in Canadian dollars and our financial results are prepared and reviewed internally by management in Canadian dollars. Our consolidated financial statements, and the financial information contained herein, are reported in thousands of Canadian dollars, except share and per share amounts or as otherwise stated.

Going Concern

The 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 condensed interim consolidated financial statements for the period ended December 31, 2023, the Company raised substantial doubt about the Company’s ability to continue as a going concern for at least twelve months from the issuance of those condensed interim 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 its business and operations.

As of this filing, the Company has been able to successfully mitigate the substantial doubt by completing several actions including: (i) the completion of a US\$35 million private placement unit offering in January 2024; (ii) the receipt of \$25 million of proceeds in March 2024 from the BioSteel Canada asset sale; (iii) the exchange of the \$100 million promissory note held by a subsidiary of Constellation Brands into Exchangeable Shares of Canopy Growth; (iv) the receipt of gross proceeds of approximately US\$50 million and the exchange of approximately \$27.5 million of existing debt maturing in September 2025 in exchange for a new senior unsecured convertible debenture of the Company, maturing May 2029, and the issuance of warrants of the Company. Following the completion of the above actions, the Company does not have any material debt obligation coming due until March 2026.

The Company is also currently evaluating several different strategies and intends to pursue actions that are expected to further increase its liquidity position, including, but not limited to, pursuing additional actions under its cost-savings plan 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, management concludes that the substantial doubt about the Company’s ability to continue as a going concern has been alleviated.

Principles of consolidation

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

Variable interest entities

A variable interest entity (“VIE”) is an entity that does not have sufficient equity at risk to finance its activities without additional subordinated financial support or is structured such that equity investors lack the ability to control the entity’s activities or do not substantially participate in the gains and losses of the entity. Upon inception of a contractual agreement, and thereafter, if a reconsideration event occurs, the Company performs an assessment to determine whether the arrangement contains a variable interest

in an entity and whether that entity is a VIE. The primary beneficiary of a VIE is the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Under ASC 810 – *Consolidations*, where the Company concludes that it is the primary beneficiary of a VIE, the Company consolidates the accounts of that VIE.

Equity method investments

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

Use of estimates

The preparation of these consolidated financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates. 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 25 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.

Share Consolidation

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

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

All issued and outstanding common shares, per share amounts, and outstanding equity instruments and awards exercisable into common shares, as well as the exchange ratios for the Fixed Shares (as defined below) and the Floating Shares (as defined below) in connection with the Acreage Amending Arrangement and the Floating Share Arrangement (as defined below), respectively, contained

in the consolidated financial statements of the Company and notes thereto have been retroactively adjusted to reflect the Share Consolidation for all prior periods presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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

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

Cash equivalents and short-term investments

Cash and cash equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Investments with maturities or redemption dates greater than 90 days at the date of purchase are included in short-term investments. The Company's investments in debt securities, if any, have been classified and accounted for using the fair value option. Unrealized gain and losses on debt securities, if any, are recognized in net income (loss). All other short-term investments are recorded at fair value with gains or losses recognized in net income (loss).

Restricted short-term investments

The Company considers short-term investments to be restricted when withdrawal or general use is legally restricted.

Accounts receivable

Accounts receivables are recorded at the invoiced amount and arise out of the sales to customers. The Company is exposed to credit losses primarily through sales of products and maintains an allowance for credit losses at an amount sufficient to absorb losses inherent in its accounts receivable portfolio as of the reporting dates based on the projection of expected credit losses. The allowance for credit losses represents management's best estimate of probable credit losses in accounts receivable, taking into account a combination of past events, current conditions, and supportable forecasts. The Company estimates and reserves for its allowance for credit losses based on its experience with past due accounts and collectability, write-off history, the aging of accounts receivable and an analysis of customer data.

Inventory

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

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in net income (loss).

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

	<u>Years</u>
Buildings and greenhouses	20 - 50
Production and warehouse equipment	5 - 30
Office and lab equipment	3 - 10
Computer equipment	3 - 5
Leasehold improvements	Lesser of estimated useful life or lease term

Depreciation commences upon the property, plant and equipment becoming available for its intended use. Construction in progress is measured at cost and upon completion reclassified to one of the Company's five classes of property, plant and equipment as noted in the above table, depending on the nature of the associated assets.

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

Intangible assets

Finite lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition, while intangible assets that are internally generated are recognized at cost.

Amortization is provided on a straight-line basis over the following terms:

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

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

Goodwill and indefinite lived intangible assets

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

Year ended March 31, 2022

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

The Company performed its annual goodwill impairment test in the three months ended March 31, 2022, and recognized impairment losses in relation to its KeyLeaf and This Works reporting units.

Year ended March 31, 2023

In the three months ended June 30, 2022, the Company recognized a goodwill impairment loss in relation to the cannabis operations reporting unit in the global cannabis segment, representing the entirety of the goodwill assigned to the cannabis operations reporting unit. In the three months ended September 30, 2022, following the completion of certain restructuring actions which were initiated in the three months ended March 31, 2022, and which were aligned with the Company's strategic review of its business, the Company changed the structure of its internal management financial reporting and began reporting its financial results for the following five reportable segments: (i) Canada cannabis; (ii) International markets cannabis; (iii) Storz & Bickel; (iv) BioSteel; and

(v) This Works. There were no changes to the composition of the Company's reporting units to which goodwill remains assigned resulting from the change in reportable segments.

The Company recognized goodwill impairment losses in the three months ended September 30, 2022 in relation to its This Works reporting unit (continuing operations) and BioSteel reporting unit (discontinued operations). In the three months ended March 31, 2023, the Company performed its annual goodwill impairment test and noted no additional impairments. Refer to Note 16 for further details.

Year ended March 31, 2024

For the year-end March 31, 2024, the Company deconsolidated BioSteel and classified its results as discontinued operations, (see Note 6). As a result, the Company now reports its financial results for the following four reportable segments: (i) Canada cannabis; (ii) International markets cannabis; (iii) Storz & Bickel; and (iv) This Works. On December 18, 2023, the Company completed the sale of This Works and as of such date, the results of This Works are no longer included in the Company's financial results (see Note 35). In the three months ended March 31, 2024, the Company performed its annual goodwill impairment test and recognized impairment losses in relation to its Storz & Bickel reporting unit. Refer to Note 16 for further details.

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

Impairment of long-lived assets

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

Redeemable noncontrolling interest

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

Revenue recognition

The Company's cannabis revenue is comprised of sales of: (i) adult-use cannabis products in Canada, either to government agencies or third-party retailers under a "business-to-business" wholesale model; and (ii) medical and other cannabis products in Canada and certain other countries. The Company's revenue is also comprised of sales of vaporizers and similar cannabis accessories, merchandise, and revenue from other sources.

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

Sales of products are for cash or otherwise agreed-upon credit terms. The Company's payment terms vary by location and customer; however, the time period between when revenue is recognized and when payment is due is not significant.

Cost of goods sold

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$28,656, \$28,294 and \$53,382 in the years ended March 31, 2024, 2023, and 2022, respectively.

Research and development

Research and development costs are expensed as incurred. Research and development expenses totaled \$4,611, \$21,718, and \$32,261 in the years ended March 31, 2024, 2023, and 2022, respectively.

Asset impairment and restructuring costs

Asset impairment and restructuring costs consist of property, plant and equipment, intangible asset and goodwill impairment charges, asset abandonment costs, contractual and other settlement costs, and employee-related and other restructuring costs recognized in connection with: (i) the restructuring of the Company's global operations that commenced in the year ended March 31, 2020 and continued strategic review of its business; and (ii) other impairments. Offsetting the charges for the year ended March 31, 2024 was a gain on sale of the Company's production facility as sale proceeds exceeded the carrying value that was previously impaired. Refer to Note 7 for further details.

When a long-lived asset is abandoned its carrying amount is adjusted to its salvage value, if any. In determining the salvage value of our long-lived assets, management considers information from manufacturers, historical data, and industry standards. In certain cases, management may obtain third party appraisals to estimate salvage value.

Share-based compensation

The Company accounts for share-based compensation using the fair value method. With the exception of a limited number of share-based awards subject to market-based performance conditions that are valued using the Monte Carlo simulation model, the fair value of awards granted is estimated at the date of grant using the Black-Scholes model. The share-based compensation expense is based on the fair value of share-based awards at the grant date and the expense is recognized over the related service period following a graded vesting expense schedule. Forfeitures are estimated at the time of grant and revised in subsequent periods if there is a difference in actual forfeitures and the estimate.

For awards with service and/or non-market based performance conditions, the amount of compensation expense recognized is based on the number of awards expected to vest, reflecting estimated expected forfeitures, and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date.

Income taxes

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

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

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

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing reported net income (loss) by the weighted average number of common shares outstanding for the reporting period. Diluted earnings (loss) per share is computed by dividing earnings (loss) by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares of the Company during the reporting periods. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of warrants, vested share options, RSUs and the incremental shares issuable upon conversion of convertible notes. As at March 31, 2024, March 31, 2023, and March 31, 2022, all instruments were anti-dilutive.

Fair value measurements

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

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

4. NEW ACCOUNTING POLICIES

Accounting Guidance Not Yet Adopted

Segment Reporting

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

Income Taxes

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

5. CANOPY USA

Reorganization - Creation of Canopy USA

On October 24, 2022, Canopy Growth completed a number of strategic transactions in connection with the creation of Canopy USA, LLC (“Canopy USA”), a new U.S.-domiciled holding company (the “Reorganization”). Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds certain U.S. cannabis investments previously held by Canopy Growth, which is expected to enable Canopy USA, following, among other things, the Meeting (as defined below) and the exercise of the Acreage Option (as defined below), including the issuance of the Fixed Shares (as defined below) to Canopy USA, to consummate the acquisitions of Acreage Holdings, Inc. (“Acreage”), Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, “Wana” and each, a “Wana Entity”), and Lemurian, Inc. (“Jetty”). There were no changes recorded in the estimated fair values of the U.S. cannabis investments described below upon implementation of the Reorganization, and their transfer from Canopy Growth to Canopy USA.

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

- **Wana** - The options to acquire 100% of the membership interests of Wana (the “Wana Options”), a leading cannabis edibles brand in North America.

- **Jetty** - The options to acquire 100% of the shares of Jetty (the “Jetty Options”), a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology.

Canopy Growth currently retains the option to acquire the issued and outstanding Class E subordinate voting shares (the “Fixed Shares”) of Acreage (the “Acreage Option”), representing approximately 70% of the total shares of Acreage, at a fixed share exchange ratio of 0.03048 of a common share of Canopy Growth per Fixed Share. Concurrently with the closing of the acquisition of the Fixed Shares pursuant to the exercise of the Acreage Option, the Fixed Shares will be issued to Canopy USA. In addition, Canopy USA has agreed to acquire all of the issued and outstanding Class D subordinate voting shares of Acreage (the “Floating Shares”) by way of a court-approved plan of arrangement (the “Floating Share Arrangement”) in exchange for 0.045 of a common share of Canopy Growth for each Floating Share held. Accordingly, we will not hold any Fixed Shares or Floating Shares. Acreage is a leading vertically-integrated multi-state cannabis operator, with its main operations in densely populated states across the Northeast U.S. including New Jersey and New York.

In addition, as of October 24, 2022, Canopy USA held direct and indirect interests in the capital of TerrAscend Corp. (“TerrAscend”), a leading North American cannabis operator with vertically integrated operations and a presence in Pennsylvania, New Jersey, Michigan and California as well as licensed cultivation and processing operations in Maryland. Canopy USA’s direct and indirect interests in TerrAscend included: (i) 38,890,570 exchangeable shares in the capital of TerrAscend (the “TerrAscend Exchangeable Shares”), an option to purchase 1,072,450 TerrAscend common shares (the “TerrAscend Common Shares”) for an aggregate purchase price of \$1.00 (the “TerrAscend Option”) and 22,474,130 TerrAscend Common Share purchase warrants previously held by Canopy Growth (the “TerrAscend Warrants”); and (ii) the debentures and loan agreement between Canopy Growth and certain TerrAscend subsidiaries.

On December 9, 2022, Canopy USA and certain limited partnerships that are controlled by Canopy USA entered into a debt settlement agreement with TerrAscend, TerrAscend Canada Inc. and Arise BioScience, Inc., whereby all of the debt obligations, including all principal and interest owing under such debt obligations payable by certain subsidiaries of TerrAscend, were extinguished and all of the previously issued TerrAscend Warrants controlled by Canopy USA were cancelled in exchange 24,601,467 TerrAscend Exchangeable Shares and 22,474,130 new TerrAscend Warrants expiring on December 31, 2032. See Note 13 for further details.

Following the implementation of the Reorganization, Canopy USA was determined to be a variable interest entity pursuant to ASC 810 - *Consolidations* (“ASC 810”) and prior to the completion of the Reorganization Amendments (as defined below) and the Additional Reorganization Amendments (as defined below), Canopy Growth was determined to be the primary beneficiary of Canopy USA. As a result of such determination and in accordance with ASC 810, Canopy Growth consolidated the financial results of Canopy USA.

Amendments to Canopy USA Structure

Following the creation of Canopy USA, the Nasdaq Stock Market LLC (“Nasdaq”) communicated its position to the Company stating that companies that consolidate “the assets and revenues generated from activities in violation under federal law cannot continue to list on Nasdaq”. Since the Company is committed to compliance with the listing requirements of the Nasdaq, the Company and Canopy USA effectuated certain changes to the initial structure of the Company’s interest in Canopy USA that were intended to facilitate the deconsolidation of the financial results of Canopy USA within the Company’s financial statements. These changes included, among other things, modifying the terms of the Protection Agreement (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 or the Jetty Options, which for greater certainty means that the Company’s nominee on the Canopy USA Board will not be permitted to vote on any Key Decisions while the Company owns Non-Voting Shares (as defined below); (ii) reduce the number of managers on the Canopy USA Board from four to three, including, reducing the Company’s nomination right to a single manager; (iii) amend the share capital of Canopy USA to, among other things, (a) create a new class of Canopy USA Class B Shares (as defined below), which may not be issued prior to the conversion of the Non-Voting Shares or the Canopy USA Common Shares (as defined below) into Canopy USA Class B Shares; (b) amend the terms of the Non-Voting Shares such that the Non-Voting Shares will be convertible into Canopy USA Class B Shares (as opposed to Canopy USA Common Shares); and (c) amend the terms of the Canopy USA Common Shares such that upon conversion of all of the Non-Voting Shares into Canopy USA Class B Shares, the

Canopy USA Common Shares will, subject to their terms, automatically convert into Canopy USA Class B Shares, provided that the number of Canopy USA Class B Shares to be issued to the former holders of the Canopy USA Common Shares will be equal to no less than 10% of the total issued and outstanding Canopy USA Class B Shares following such issuance. Accordingly, as a result of the Reorganization Amendments, in no circumstances will the Company, at the time of such conversions, own more than 90% of the Canopy USA Class B Shares.

In connection with the Reorganization Amendments, on May 19, 2023, Canopy USA and Huneus 2017 Irrevocable Trust (the "Trust") entered into a share purchase agreement (the "Trust SPA"), which sets out the terms of the Trust's investment in Canopy USA in the aggregate amount of up to US\$20 million (the "Trust Transaction"). Agustin Huneus, Jr. is the trustee of the Trust and is an affiliate of a shareholder of Jetty. Pursuant to the terms of the Trust SPA, the Trust will, subject to certain terms and conditions contained in the Trust SPA be issued Canopy USA Common Shares in two tranches with an aggregate value of up to US\$10 million along with warrants of Canopy USA to acquire additional Canopy USA Common Shares. In addition, subject to the terms of the Trust SPA, the Trust has also been granted options to acquire additional Voting Shares (as defined in the A&R LLC Agreement) with a value of up to an additional US\$10 million and one such additional option includes the issuance of additional warrants of Canopy USA. On April 26, 2024, Canopy USA completed the first tranche closing of the Trust Transaction in accordance with the Trust SPA, whereby the Trust acquired an aggregate 28,571,429 Canopy USA Common Shares at US\$0.175 per Canopy USA Common Share and warrants to acquire up to 42,857,142 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 and Jetty, as applicable, Canopy Growth may be required to issue additional common shares in satisfaction of certain deferred and/or option exercise payments to the shareholders of Wana and Jetty. Canopy Growth will receive additional Non-Voting Shares from Canopy USA as consideration for any Company common shares issued in the future to the shareholders of Wana and Jetty.

On November 3, 2023, the Company received a letter from the staff of the SEC (the "Staff") in which the Staff indicated that, despite the Reorganization Amendments, it would object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP once Canopy USA acquires Wana, Jetty or the Fixed Shares of Acreage. The Company subsequently had discussions with the Office of Chief Accountant of the SEC (the "OCA") and determined to make certain additional amendments to the structure of Canopy USA (the "Additional Reorganization Amendments") to facilitate the deconsolidation of Canopy USA from the financial results of Canopy Growth in accordance with U.S. GAAP upon Canopy USA's acquisition of Wana, Jetty or Acreage. In that regard, the Company filed a revised preliminary proxy statement with the SEC on each of January 25, 2024 and February 5, 2024 in connection with the Amendment Proposal (as defined below) that discloses these Additional Reorganization Amendments. In connection with the Additional Reorganization Amendments, Canopy USA and its members expect to enter into a second amended and restated limited liability company agreement (the "Second A&R LLC Agreement") immediately prior to the completion of the first tranche closing of the Trust Transaction. Upon the effective date of the Second A&R LLC Agreement, the terms of the Non-Voting Shares will be amended such that the Non-Voting Shares 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.

Ownership of U.S. Cannabis Investments

Following the implementation of the Reorganization, the shares and interests in Acreage, Wana, Jetty and TerrAscend are held, directly or indirectly, by Canopy USA, and Canopy Growth no longer holds a direct interest in any shares or interests in such entities, other than the Acreage Option. Canopy Growth holds non-voting and non-participating shares (the "Non-Voting Shares") in the capital of Canopy USA. The Non-Voting Shares do not carry voting rights, rights to receive dividends or other rights upon dissolution of Canopy USA. Following the Reorganization Amendments, the Non-Voting Shares are convertible into Class B shares of Canopy USA (the "Canopy USA Class B Shares"), provided that following the execution of the Second A&R LLC Agreement, such conversion shall only be permitted following the 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").

As of March 31, 2024, a third party investor owned all of the issued and outstanding Class A shares of Canopy USA (the "Canopy USA Common Shares") and a wholly-owned subsidiary of the Company holds Non-Voting Shares in the capital of Canopy USA, representing approximately more than 99% of the issued and outstanding shares in Canopy USA on an as-converted basis. As of May 28, 2024, 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 72.3% of the issued and outstanding shares in Canopy USA on an as-converted basis.

On October 24, 2022, Canopy USA and the Company also entered into an agreement with, among others, Nancy Whiteman, the controlling shareholder of Wana, which was amended and restated on May 19, 2023 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 (as described in Note 13) 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.

Canopy Growth and Canopy USA have also entered into a protection agreement (the “Protection Agreement”) to provide for certain covenants in order to preserve the value of the Non-Voting Shares held by Canopy Growth until such time as the Non-Voting Shares are converted in accordance with their terms, provided that, 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”).

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

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

Acreage Agreements

On October 24, 2022, Canopy Growth entered into an arrangement agreement with Canopy USA and Acreage, as amended (the “Floating Share Arrangement Agreement”), pursuant to which, subject to approval of the holders of the Floating Shares and the terms and conditions of the Floating Share Arrangement Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares by way of a court-approved plan on arrangement under the *Business Corporations Act* (British Columbia) (the “Floating Share Arrangement”) in exchange for 0.045 of a Company common share for each Floating Share held. In connection with the Floating Share Arrangement Agreement, Canopy Growth has irrevocably waived the Acreage Floating Option (as defined below) existing under the Existing Acreage Arrangement Agreement.

On October 24, 2022, the Company and Canopy USA entered into a third amendment to tax receivable agreement (the “Amended TRA”) with, among others, certain current or former unitholders (the “Holders”) of High Street Capital Partners, LLC, a subsidiary of Acreage (“HSCP”), pursuant to HSCP’s amended tax receivable agreement (the “TRA”) and related tax receivable bonus plans with Acreage. Pursuant to the Amended TRA, the Company, on behalf of Canopy USA, agreed to issue common shares of the Company with a value of US\$30.4 million to certain Holders as consideration for the assignment of such Holder’s rights under the TRA to Canopy USA. As a result of the Amended TRA, Canopy USA is the sole member and beneficiary under the TRA. In connection with the foregoing, the Company issued: (i) 564,893 common shares with a value of \$20.6 million (US\$15.2 million) to certain Holders on November 4, 2022 as the first installment under the Amended TRA; and (ii) 710,208 common shares with a value of \$20.6 million (US\$15.2 million) to certain Holders on March 17, 2023, as the second installment under the Amended TRA. The Company, on behalf of Canopy USA, also agreed to issue common shares of the Company with a value of approximately US\$19.6 million to certain eligible participants pursuant to HSCP’s existing tax receivable bonus plans to be issued immediately prior to completion of the Floating Share Arrangement.

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

Outside Date (as defined in the Floating Share Arrangement Agreement), which was initially March 31, 2023. The most recent amendment to the Floating Share Arrangement Agreement extended the Exercise Outside Date to June 17, 2024. In addition, the most recent amendment to the Floating Share Arrangement Agreement also extended the date in which the Canopy Call Option (as defined in the Floating Share Arrangement Agreement) is required to be exercised by to not later than June 17, 2024, such date being 41 business days following the CBI Exchange (as defined below).

Canopy Growth's existing option to acquire the Fixed Shares on the basis of 0.03048 of a Company common share per Fixed Share will be exercised 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, the Fixed Shares will be issued to Canopy USA. Accordingly, Canopy Growth will not hold any Fixed Shares or Floating Shares. Completion of the acquisition of the Fixed Shares following exercise of the Acreage Option is subject to the satisfaction of certain conditions set forth in the Existing Acreage Arrangement Agreement. The acquisition of the Floating Shares pursuant to the Floating Share Arrangement is anticipated to occur immediately prior to the acquisition of the Fixed Shares pursuant to the Existing Acreage Arrangement Agreement such that 100% of the issued and outstanding shares of Acreage will be owned by Canopy USA on closing of the acquisition of both the Fixed Shares and the Floating Shares.

On November 15, 2022, a wholly-owned subsidiary of Canopy Growth (the "Acreage Debt Optionholder") and Acreage's existing lenders (the "Lenders") entered into an option agreement (the "Acreage Debt Option Agreement"), which superseded the letter agreement dated October 24, 2022 between the parties, pursuant to which the Acreage Debt Optionholder was granted the right to purchase the outstanding principal, including all accrued and unpaid interest thereon, of Acreage's debt, being an amount up to US\$150.0 million (the "Acreage Debt") from the Lenders in exchange for an option premium payment of \$38.0 million (US\$28.5 million) (the "Option Premium"), which was deposited into an escrow account on November 17, 2022. The Acreage Debt Optionholder has the right to exercise the option at its discretion, and if the option is exercised, the Option Premium will be used to reduce the purchase price to be paid for the outstanding Acreage Debt. In the event that Acreage repays the Acreage Debt on or prior to maturity, the Option Premium will be returned to the Acreage Debt Optionholder. In the event that Acreage defaults on the Acreage Debt and the Acreage Debt Optionholder does not exercise its option to acquire the Acreage Debt, the Option Premium will be released to the Lenders. The Lenders provided notice to the Company pursuant to the Acreage Debt Option Agreement of a default on the Acreage Debt. The Company is continuing to evaluate the notice and the applicable provisions of the Acreage Debt Option Agreement.

Special Shareholder Meeting

In connection with the Reorganization, Canopy Growth held a special meeting of shareholders on April 12, 2024 (the "Meeting") at which Canopy Growth shareholders approved a special resolution authorizing an amendment to its articles of incorporation, as amended (the "Amendment Proposal"), in order to: (i) create and authorize the issuance of an unlimited number of a new class of non-voting and non-participating exchangeable shares in the capital of Canopy Growth (the "Exchangeable Shares"); and (ii) restate the rights of the Company's common shares to provide for a conversion feature whereby each common share may at any time, at the option of the holder, be converted into one Exchangeable Share. The Exchangeable Shares do carry voting rights, rights to receive dividends or other rights upon dissolution of Canopy Growth but are convertible into common shares.

CBI Exchange and Note Exchange

On April 18, 2024, Greenstar Canada Investment Limited Partnership ("Greenstar") and CBG Holdings LLC ("CBG"), indirect, wholly-owned subsidiaries of Constellation Brands, Inc. ("CBI", and together with its affiliates, the "CBI Group"), exchanged all 17,149,925 common shares in the capital of the Company they collectively held for 17,149,925 Exchangeable Shares for no consideration (the "CBI Exchange"). As a result of the CBI Exchange, the CBI Group no longer holds any Canopy Growth common shares. On April 18, 2024, the Company also entered into an exchange agreement with Greenstar, pursuant to which Greenstar converted approximately \$81.2 million of the principal amount of the CBI Note (as defined below) into 9,111,549 Exchangeable Shares (the "Note Exchange"), calculated based on a price per Exchangeable Share equal to \$8.91. All accrued but unpaid interest on the CBI Note together with the remaining principal amount of the CBI Note was cancelled and forgiven for no additional consideration by Greenstar. Following the closing of the Note Exchange, the CBI Note was cancelled.

In connection with the Reorganization, on October 24, 2022, Canopy Growth entered into a consent agreement with CBG and Greenstar (the "Third Consent Agreement"), and pursuant to the terms thereof, following the CBI Exchange, other than Third Consent Agreement, and the termination rights contained therein, all agreements between Canopy Growth and CBI, including the Second Amended and Restated Investor Rights Agreement dated as of April 18, 2019, by and among certain wholly-owned subsidiaries of CBI and Canopy Growth, were terminated. Pursuant to the terms of the Third Consent Agreement, all nominees of CBI that were sitting on the board of directors of Canopy Growth immediately prior to the CBI Exchange resigned as directors of Canopy Growth.

6. BIOSTEEL

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

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

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

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

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Net revenue	\$ 56,610	\$ 69,651	\$ 34,622
Cost of goods sold	145,625	110,262	50,344
Operating expenses	97,851	177,171	58,235
Operating loss	(186,866)	(217,782)	(73,957)
Other income (expense), net ¹	(6,183)	(10,380)	2,300
Income tax (expense) recovery	936	(954)	-
Net loss on discontinued operations, net of tax	<u>\$ (192,113)</u>	<u>\$ (229,116)</u>	<u>\$ (71,657)</u>

¹ Included in Other income (expense), net for the year ended March 31, 2024 is a loss on deconsolidation of \$9,820.

Investment in BioSteel Entities

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

Canopy Growth's Amounts Receivable from BioSteel Entities

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

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

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

	March 31, 2024	March 31, 2023
Cash	\$ -	\$ 9,314
Short-term investments	-	69
Amounts receivable, net	-	25,528
Receivable from BioSteel Entities	8,038	-
Inventory	-	65,671
Prepaid expenses and other assets	-	15,709
Property, plant and equipment	-	28,195
Intangible assets	-	27,969
Other assets	-	405
Total assets of discontinued operations	<u>\$ 8,038</u>	<u>\$ 172,860</u>
Accounts payable	-	44,399
Other accrued expenses and liabilities	-	22,248
Other current liabilities	-	977
Deferred income tax liabilities	-	954
Other liabilities	-	2,463
Total liabilities of discontinued operations	<u>\$ -</u>	<u>\$ 71,041</u>

7. ASSET IMPAIRMENT AND RESTRUCTURING COSTS

Year ended March 31, 2024

Restructuring and other charges

In the year ended March 31, 2024, the Company recorded charges associated with operational changes resulting from its continuing strategic review of its business. Charges relate to various incremental impairment losses and other costs associated with the restructuring of the Company's Canadian cannabis operations that were initiated in the three months ended March 31, 2023, in addition to continued evaluation of the Company's overall operations throughout fiscal 2024. The Company also recognized impairment charges associated with the divestiture of This Works, as described in Note 30(a) below.

Offsetting the charges above was a gain on the sale of the Company's production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain was due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023.

Other impairments

The other impairment charges described below related to goodwill and intangible assets are in addition to the restructuring and impairment costs described above.

Goodwill

In the year ended March 31, 2024, the Company recognized goodwill impairment charges totaling \$42,081 relating to the Company's Storz & Bickel reporting unit. Refer to Note 16 for further details.

Intangible assets

In the year ended March 31, 2024, the Company recognized asset impairment losses totaling \$17,266 relating primarily to This Works prior to divestiture and the Storz & Bickel's acquired brand intangible asset.

A summary of the pre-tax charges totaling \$65,001 recognized in connection with the Company's restructuring actions and other impairments is as follows:

	<u>Year ended March 31, 2024</u>		
	<u>Restructuring and other charges</u>	<u>Other impairments</u>	<u>Total</u>
Costs recorded in cost of goods sold:			
Reversal of inventory write-downs and other charges	\$ (986)	\$ -	\$ (986)
Costs recorded in operating expenses:			
(Gain) impairment of property, plant and equipment, net	(40,578)	-	(40,578)
Impairment of intangible assets	-	17,266	17,266
Impairment of goodwill	-	42,081	42,081
Contractual and other settlement obligations	(2,129)	-	(2,129)
Employee-related and other restructuring costs	<u>29,193</u>	<u>20,154</u>	<u>49,347</u>
Asset impairment and restructuring costs	(13,514)	79,501	65,987
Total restructuring, asset impairments and related costs	<u>\$ (14,500)</u>	<u>\$ 79,501</u>	<u>\$ 65,001</u>

Year ended March 31, 2023

Restructuring and other charges

In the year ended March 31, 2023, the Company recognized impairment charges associated with its announcement, in the three months ended March 31, 2023, of a series of comprehensive steps to align its Canadian cannabis operations and resources in response to unfavorable market realities. These actions include:

- Transitioning to an asset-light model by: (i) exiting cannabis flower cultivation in the Company's Smiths Falls, Ontario facility; (ii) ceasing the sourcing of cannabis flower from the Company's Mirabel, Quebec facility; and (iii) consolidating cultivation at the Company's existing facilities in Kincardine, Ontario and Kelowna, British Columbia; and
- Moving to an adaptive third-party sourcing model for all cannabis beverages, edibles, vapes, and extracts which will enable the Company to select and bring to market new product formats without the required investment in research and development and production footprint.

As a result of the aforementioned changes, the Company intended to close and sell the 1 Hershey Drive production facility in Smiths Falls, Ontario, consolidate flower, PRJ, softgel, and oil manufacturing in the Company's current beverage production facility in Smiths Falls, Ontario, and reduced headcount across the business. We also intended to rationalize our cannabis extraction activities across Canada. Additionally, in March 2023, the Company completed the purchase of the remaining 45% of the common shares of Les Serres Vert Cannabis Inc. ("Vert Mirabel") for consideration consisting of cash and the Company's common shares, thereby increasing the Company's interest in the entity to 100%. In connection with that acquisition, the Company terminated its lease for the facility in Mirabel, Quebec and has ceased the sourcing of cannabis flower from the Mirabel, Quebec facility.

The Company also recognized impairment charges associated with the divestiture of the Company's retail operations pursuant to the OEGRC Transaction and the FOUR20 Transaction (as each term is defined below), as described in Note 30(b) below. Additionally, the Company: (i) recognized incremental costs primarily associated with the restructuring actions completed in the year ended March 31, 2022, including the closure of certain of its Canadian production facilities, and other operational changes initiated in the three months ended March 31, 2022, as described below in our summary of restructuring actions in the year ended March 31, 2022; and (ii) employee-related restructuring charges associated with actions completed in the three months ended December 31, 2022 and three months ended March 31, 2023 as part of the Company's ongoing program to align general and administrative costs with business objectives, and further streamline the Company's operations.

The Company recorded total inventory write-downs and associated restructuring charges of \$81,802 in the year ended March 31, 2023, related primarily to: (i) the aforementioned strategic changes to our business that were initiated in the three months ended March 31, 2023, including the closure of our production facility at 1 Hershey Drive in Smiths Falls, Ontario; and (ii) the strategic changes to our business initiated in fiscal 2022, including the shift to a contract manufacturing model for certain product formats and the closure of certain of our production facilities.

As a result of these actions, the Company recognized aggregate pre-tax charges of \$538,655 in the year ended March 31, 2023, and reduced headcount by approximately 800 full-time positions.

Other impairments

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

Goodwill

In the year ended March 31, 2023, the Company recognized goodwill impairment charges totaling \$1,727,679 as follows: (i) \$1,725,368 was recorded in the three months ended June 30, 2022 in relation to the Company's cannabis operations reporting unit in the Canada cannabis segment; and (ii) \$2,311 was recorded in the three months ended September 30, 2022 in relation to the Company's This Works reporting unit. Refer to Note 16 for further details.

Intangible assets

In the year ended March 31, 2023, the Company recognized asset impairment losses totaling \$14,614 in connection with certain acquired brand intangible assets, primarily within our Canada cannabis segment.

A summary of the pre-tax charges totaling \$2,280,948 recognized in connection with the Company's restructuring actions and other impairments is as follows:

	Year ended March 31, 2023		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs and other charges	\$ 81,802	\$ -	\$ 81,802
Costs recorded in operating expenses:			
Impairment of property, plant and equipment	376,176	-	376,176
Impairment of intangible assets	27,399	14,614	42,013
Impairment of goodwill	-	1,727,679	1,727,679
Contractual and other settlement obligations	18,427	-	18,427
Employee-related and other restructuring costs	34,851	-	34,851
Asset impairment and restructuring costs	456,853	1,742,293	2,199,146
Total restructuring, asset impairments and related costs	<u>\$ 538,655</u>	<u>\$ 1,742,293</u>	<u>\$ 2,280,948</u>

Year Ended March 31, 2022

Restructuring and other charges

In the year ended March 31, 2022, the Company recorded charges associated with operational changes resulting from its continuing strategic review of its business. The Company recorded charges in the three months ended June 30, 2021 related to a strategic review of the business conducted as a result of acquisitions completed in that period (see Note 29(c)), which resulted in the closure of the Company's Niagara-on-the-Lake, Ontario and Langley, British Columbia facilities. In the three months ended March 31, 2022, the Company recorded further charges related to further restructuring actions aligned to its strategic review of the business, which included: (i) reducing cultivation costs in the Canadian adult-use cannabis business through cultivation-related efficiencies and facility improvements; (ii) implementing a flexible manufacturing platform, including contract manufacturing for certain product formats; (iii) right-sizing indirect costs and generating efficiencies across the Company's supply chain and procurement; (iv) aligning general and administrative costs with short-term business expectations; and (v) further streamlining the organization to drive process-related efficiencies.

The Company also recorded charges associated with changes in the estimated fair value of certain of the Company's Canadian sites that were closed in December 2020, and costs associated with the closure of those sites.

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

As a result of these actions, the Company recognized aggregate pre-tax charges of \$429,725 in the year ended March 31, 2022, and reduced headcount by approximately 250 full-time positions.

Other impairments

Goodwill

The Company performed its annual goodwill impairment test in the three months ended March 31, 2022, and recognized impairment losses totaling \$40,748, of which \$22,355 relates to the KeyLeaf reporting unit and \$18,393 relates to the This Works reporting unit. Refer to Note 16 for further details.

Intangible assets

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

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

A summary of the pre-tax charges totaling \$496,538 recognized in connection with the Company's restructuring actions and other impairments is as follows:

	Year ended March 31, 2022		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs and other charges	\$ 123,669	\$ -	\$ 123,669
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	224,726	-	224,726
Impairment and abandonment of intangible assets	41,404	26,065	67,469
Impairment of goodwill	-	40,748	40,748
Contractual and other settlement obligations	6,610	-	6,610
Employee-related and other restructuring costs	29,701	-	29,701
Asset impairment and restructuring costs	302,441	66,813	369,254
Acceleration of share-based compensation expense related to acquisition milestones	3,615	-	3,615
Share-based compensation expense	3,615	-	3,615
Total restructuring, asset impairments and related costs	<u>\$ 429,725</u>	<u>\$ 66,813</u>	<u>\$ 496,538</u>

8. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	March 31, 2024	March 31, 2023
Cash	\$ 115,427	\$ 453,146
Cash equivalents	54,873	214,547
	<u>\$ 170,300</u>	<u>\$ 667,693</u>

9. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

	March 31, 2024	March 31, 2023
Government securities	\$ -	\$ 60,157
Term deposits	33,161	30,000
Commercial paper and other	-	15,369
	<u>\$ 33,161</u>	<u>\$ 105,526</u>

The amortized cost of short-term investments at March 31, 2024 is \$33,161 (March 31, 2023 – \$107,661).

10. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

	March 31, 2024	March 31, 2023
Accounts receivable, net	\$ 44,943	\$ 41,292
Indirect taxes receivable	2,517	11,544
Interest receivable	876	3,966
Other receivables	3,511	11,657
	<u>\$ 51,847</u>	<u>\$ 68,459</u>

Included in the accounts receivable, net balance at March 31, 2024 is an allowance for credit losses of \$9,903 (March 31, 2023 – \$8,554).

11. INVENTORY

The components of inventory are as follows:

	March 31, 2024	March 31, 2023
Raw materials, packaging supplies and consumables	\$ 18,872	\$ 18,927
Work in progress	31,367	34,104
Finished goods	27,053	30,199
	<u>\$ 77,292</u>	<u>\$ 83,230</u>

In the year ended March 31, 2024, the Company recorded write-downs related to inventory in cost of goods sold of \$9,402 (year ended March 31, 2023 – \$66,490).

12. PREPAID EXPENSES AND OTHER ASSETS

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

	March 31, 2024	March 31, 2023
Prepaid expenses	\$ 6,621	\$ 11,963
Deposits	2,365	1,522
Prepaid inventory	757	690
Other assets	13,489	10,115
	<u>\$ 23,232</u>	<u>\$ 24,290</u>

13. OTHER FINANCIAL ASSETS

The following tables outline changes in other financial assets. Additional details on how the fair value of significant investments are calculated are included in Note 25.

Entity	Instrument	Balance at March 31, 2023	Additions	Fair value changes	Foreign currency translation adjustments	Other	Balance at March 31, 2024
Acreage ¹	Fixed Shares option and Floating Shares agreement	\$ 55,382	\$ -	\$ (45,408)	\$ 26		\$ 10,000
TerrAscend Exchangeable Shares	Exchangeable shares	93,000	-	26,936	64	-	120,000
TerrAscend - December 2022	Warrants	26,000	-	6,574	(74)	-	32,500
TerrAscend	Option	1,600	-	400	-	-	2,000
Wana	Option	239,078	-	(83,247)	(1,097)	(4,968)	149,766
Jetty	Options	75,014	-	(15,057)	(42)	-	59,915
Acreage Hempco ¹	Debenture	29,262	-	(15,775)	155	(1,862)	11,780
Acreage Debt Option Premium	Option	35,479	-	2,012	83	-	37,574
Acreage Tax Receivable Agreement	Other	3,109	-	(1,776)	(46)	-	1,287
Other - at fair value through net income (loss)	Various	1,870	2,156	535	2	(122)	4,441
Other - classified as held for investment	Loan receivable	8,498	-	-	-	(132)	8,366
		<u>\$ 568,292</u>	<u>\$ 2,156</u>	<u>\$ (124,806)</u>	<u>\$ (929)</u>	<u>\$ (7,084)</u>	<u>\$ 437,629</u>

¹Refer to Note 31 for information regarding the Acreage Arrangement and Acreage Hempco.

For information regarding the Reorganization, Reorganization Amendments and Additional Reorganization Amendments, see Note 5. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds an ownership interest in certain U.S. cannabis investments previously held by the Company, including, among others, interests in the Floating Shares of Acreage, Wana, Jetty and TerrAscend.

Entity	Instrument	Balance at March 31, 2022	Additions	Fair value changes	Foreign currency translation adjustments	Other	Balance at March 31, 2023
Acreage ¹	Fixed Shares option and Floating Shares agreement	\$ -	\$ -	\$ 55,382	\$ -	\$ -	\$ 55,382
TerrAscend Exchangeable Shares	Exchangeable shares	229,000	51,000	(186,489)	(511)	-	93,000
TerrAscend Canada - October 2019	Term loan / debenture	10,280	-	(146)	-	(10,134)	-
TerrAscend Canada - March 2020	Term loan / debenture	49,890	-	(4,804)	-	(45,086)	-
Arise Bioscience	Term loan / debenture	13,343	-	(1,767)	1,268	(12,844)	-
TerrAscend - October 2019	Warrants	3,730	-	(3,372)	-	(358)	-
TerrAscend - March 2020	Warrants	60,740	-	(46,376)	-	(14,364)	-
TerrAscend - December 2020	Warrants	3,460	-	(2,246)	-	(1,214)	-
TerrAscend - December 2022	Warrants	-	33,000	(7,000)	-	-	26,000
TerrAscend	Option	6,300	-	(4,700)	-	-	1,600
Wana	Option	372,343	-	(154,936)	21,671	-	239,078
Jetty	Options	-	90,120	(19,915)	4,809	-	75,014
Acreage Hempco ¹	Debenture	28,824	-	2,361	2,295	(4,218)	29,262
Acreage Debt Option Premium	Option	-	38,048	(3,041)	472	-	35,479
Acreage Tax receivable Agreement	Other	-	41,491	(38,035)	(347)	-	3,109
Other - at fair value through net income (loss)	Various	10,396	-	(9,031)	505	-	1,870
Other - classified as held for investment	Loan receivable	12,022	-	-	-	(3,524)	8,498
		<u>\$ 800,328</u>	<u>\$ 253,659</u>	<u>\$ (424,115)</u>	<u>\$ 30,162</u>	<u>\$ (91,742)</u>	<u>\$ 568,292</u>

¹Refer to Note 31 for information regarding the Acreage Arrangement and Acreage Hempco.

TerrAscend Financial Instruments

TerrAscend Exchangeable Shares

TerrAscend is a publicly listed prominent 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. The TerrAscend Exchangeable Shares are convertible into TerrAscend common shares following the exchange start date applicable to the holder of such TerrAscend Exchangeable Shares, at the option of the holder and subject to any restrictions or limitations, on a one for one basis. The TerrAscend Exchangeable Shares are not transferrable or monetizable until exchanged into TerrAscend common shares. In the interim, Canopy USA will not be entitled to voting rights, dividends or other rights upon dissolution of TerrAscend. As a result, neither Canopy USA nor the Company has significant influence over TerrAscend and accordingly, the Company accounts for the TerrAscend Exchangeable Shares as a financial asset at estimated fair value with any changes recorded in other income (expense), net. At March 31, 2024 the estimated fair value of the TerrAscend Exchangeable Shares, including the 24,601,467 TerrAscend Exchangeable Shares received as part of the TerrAscend Arrangement (as described below), was \$120,000 (March 31, 2023 – \$93,000).

TerrAscend Arrangement

On December 9, 2022, Canopy USA and certain limited partnerships that are controlled by Canopy USA entered into a debt settlement agreement (the “TerrAscend Settlement Agreement”) with TerrAscend, TerrAscend Canada Inc. (“TerrAscend Canada”) and Arise Bioscience, Inc. (“Arise Bioscience”) (together with TerrAscend and TerrAscend Canada, the “TerrAscend Entities”) whereby \$125,467 in aggregate loans, including accrued interest thereon, payable by TerrAscend Canada and Arise Bioscience pursuant to: (i) the TerrAscend Canada October 2019 term loan; (ii) the TerrAscend Canada March 2020 term loan; and (iii) the Arise Bioscience term loan were extinguished and 22,474,130 TerrAscend Warrants, being all of the previously issued TerrAscend Warrants controlled by Canopy USA (the “Prior Warrants”) were cancelled in exchange for the issuance of: (i) 24,601,467 TerrAscend Exchangeable Shares at a notional price of \$5.10 per TerrAscend Exchangeable Share; and (ii) 22,474,130 new TerrAscend Warrants (the “New Warrants” and, together with the TerrAscend Exchangeable Shares, the “New TerrAscend Securities”) with a weighted average exercise price of \$6.07 per TerrAscend Common Share and expiring on December 31, 2032 (collectively, the “TerrAscend Arrangement”).

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

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

See Note 25 for additional details on how the fair value of the aforementioned TerrAscend financial instruments are calculated on a recurring basis.

See Note 5 for information regarding the Reorganization, Reorganization Amendments and Additional Reorganization Amendments. Following the implementation of the Reorganization, as of October 24, 2022, Canopy USA holds certain U.S. cannabis investments previously held by the Company, including the aforementioned direct and indirect interests in the capital of TerrAscend.

Wana

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

The Wana Agreements are structured as three separate option agreements whereby the Wana Option Holder has a call option (the “Wana Call Option”) to acquire 100% of the membership interests in each Wana Entity. As consideration for entering into the Wana Agreements, the Company made an upfront cash payment (the “Wana Upfront Payment”) in the aggregate amount of \$368,067

(US\$297,500). Upon the Wana Option Holder's exercise of its right to acquire Wana, the Wana Option Holder was initially required to make payments equal to 15% of the fair market value of Wana at the time the options are exercised (the "Call Option Payments"). As additional consideration for the right to acquire Wana, the Wana Option Holder is expected to make additional deferred payments (the "Wana Deferred Payments") in respect of Wana as of the 2.5- and 5-year anniversary of the Wana Upfront Payment, initially computed based on a pre-determined contractual formula as follows:

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

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

Upon initial recognition, the Company estimated the fair value of the Wana financial instrument to be \$442,227, consisting of: (i) the Wana Upfront Payment as noted above; and (ii) the present value of the estimated Wana Deferred Payments, totaling \$74,160 (see Note 19). The Wana financial instrument, in effect, represents the Wana Call Option to purchase 100% of Wana for a payment equal to 15% of Wana's fair market value at the time the option is exercised.

At March 31, 2024, the estimated fair value of the Wana financial instrument was \$149,766 (March 31, 2023 - \$239,078), with the change from initial recognition recorded in other income (expense), net. See Note 25 for additional details on how the fair value of the Wana financial instrument is calculated on a recurring basis.

See Note 5 for information regarding the Reorganization. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds certain U.S. cannabis investments previously held by the Company, including the Wana Call Option by virtue of its ownership interest in the Wana Option Holder, which is expected to enable Canopy USA, following, among other things, the Meeting, to consummate the acquisition of Wana. In connection with the Reorganization, among others, the Company, Canopy USA, Nancy Whiteman, the controlling shareholder of Wana entered into the Wana Amending Agreement pursuant to which, among other things, certain amendments were made to the future payments owed in connection with the exercise of the Wana Call Option, which included the Call Option Payment being reduced to US\$3.00 in exchange for the issuance of Canopy USA Common Shares and Canopy Growth common shares.

Until such time as Canopy USA elects to exercise its right to acquire Wana pursuant to the Wana Call Option and the Company converts the Non-Voting Shares into Canopy USA Class B Shares, the Company will have no economic or voting interest in Wana, the Company will not directly or indirectly control Wana, and the Company and Wana will continue to operate independently of one another.

Jetty

On May 17, 2022, the Company, a former subsidiary of the Company (the "Jetty Option Holder") and Jetty entered into definitive agreements (the "Jetty Agreements") providing the Jetty Option Holder with the right (the "Jetty Options") to acquire up to 100% of the outstanding equity interests in Jetty (i) upon the occurrence of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana, or to remove the regulation of such activities from the federal laws of the United States; or (ii) an earlier date at the Jetty Option Holder's sole discretion (the "Jetty Triggering Event").

The Jetty Agreements are structured as two separate option agreements whereby the Jetty Option Holder has the right to acquire up to 100% of the equity interests in Jetty. As consideration for entering into the Jetty Agreements, the Company (i) made an upfront cash payment in the amount of \$29,226 (US\$22,911), and (ii) issued 842,654 common shares with a fair value on closing of \$59,123 (US\$45,928), for total consideration of \$88,349 (collectively, the "Jetty Upfront Payment").

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

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

At March 31, 2024, the estimated fair value of the Jetty financial instruments was \$59,915 (March 31, 2023 – \$75,014), with the change in estimated fair value from initial recognition recorded in other income (expense), net. See Note 25 for additional details on how the fair value of the Jetty financial instruments is calculated on a recurring basis.

See Note 5 for information regarding the Reorganization. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds certain U.S. cannabis investments previously held by the Company, including the Jetty Options by virtue of its ownership interest in the Jetty Option Holder, which is expected to enable Canopy USA, following, among other things, the Meeting, to consummate the acquisition of Jetty.

Until such time as Canopy USA elects to exercise its rights to acquire Jetty and the Company converts the Non-Voting Shares into Canopy USA Class B Shares, the Company will have no direct or indirect economic or voting interests in Jetty, the Company will not directly or indirectly control Jetty, and the Company and Jetty will continue to operate independently of one another.

Acreage-Related Agreements

Tax Receivable Agreement

On October 24, 2022, the Company and Canopy USA entered into the Amended TRA with, among others, certain Holders of HSCP, pursuant to the TRA and related tax receivable bonus plans with Acreage. Pursuant to the Amended TRA, the Company, on behalf of Canopy USA, agreed to issue common shares of the Company with a fair value of US\$30,441 to certain Holders as consideration for the assignment of such Holder's rights under the TRA to Canopy USA. As a result of the Amended TRA, Canopy USA is the sole member and beneficiary under the TRA.

In connection with the foregoing, the Company: (i) issued 564,893 common shares with a value of \$20,630 (US\$15,220) to certain Holders on November 4, 2022 as the first installment under the Amended TRA; and (iii) issued 710,208 common shares with a value of \$20,572 (US\$15,220) to certain Holders on March 17, 2023 as the second installment.

The aggregate amount paid by the Company in common shares in relation to the assignment of rights in favor of Canopy USA in accordance with the Amended TRA represents a financial instrument. The Company accounts for this instrument as a financial asset at estimated fair value, with any changes recorded in other income (expense), net. At March 31, 2024, the estimated fair value of the financial instrument associated with the Acreage TRA rights was \$1,287 (March 31, 2023 – \$3,109), with the change in estimated fair value from initial recognition recorded in other income (expense), net. See Note 25 for additional details on how the fair value of the Acreage TRA rights financial instrument is calculated on a recurring basis.

The Company, on behalf of Canopy USA, also agreed to issue common shares of the Company with a value of approximately US\$19,559 to certain eligible participants pursuant to HSCP's existing tax receivable bonus plans to be issued immediately prior to completion of the Floating Share Arrangement. No accounting recognition was given to this payment in the year ended March 31, 2024 as such payment is contingent upon the completion of the Floating Share Arrangement or, if the Floating Share Arrangement is not completed, upon the closing of the acquisition of the Fixed Shares under the Existing Acreage Arrangement Agreement.

Acreage Debt Option Premium

On November 15, 2022, the Acreage Debt Optionholder and the Lenders entered into the Acreage Debt Option Agreement, which superseded the letter agreement dated October 24, 2022 between the parties, pursuant to which the Acreage Debt Optionholder was granted the right to purchase the Acreage Debt from the Lenders in exchange for the Option Premium, which was deposited into an escrow account on November 17, 2022. The Acreage Debt Optionholder has the right to exercise the option at its discretion, and if the option is exercised, the Option Premium will be used to reduce the purchase price to be paid for the outstanding Acreage Debt. In the event that Acreage repays the Acreage Debt on or prior to maturity, the Option Premium will be returned to the Acreage Debt Optionholder. In the event that Acreage defaults on the Acreage Debt and the Acreage Debt Optionholder does not exercise its option to acquire the Acreage Debt, the Option Premium will be released to the Lenders.

The Option Premium represents a financial instrument. The Company accounts for this instrument as a financial asset at estimated fair value, with any changes recorded in other income (expense), net. At March 31, 2024, the estimated fair value of the financial instrument associated with the Option Premium was \$37,574 (March 31, 2023 – \$35,479), with the change in estimated fair value from initial recognition recorded in other income (expense), net. See Note 25 for additional details on how the fair value of the Option Premium financial instrument is calculated on a recurring basis.

The Lenders provided notice to the Company pursuant to the Acreage Debt Option Agreement of a default on the Acreage Debt. The Company is continuing to evaluate the notice and the applicable provisions of the Acreage Debt Option Agreement.

14. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2024	March 31, 2023
Buildings and greenhouses	\$ 305,606	\$ 413,832
Production and warehouse equipment	62,026	76,760
Leasehold improvements	7,787	13,655
Office and lab equipment	11,041	13,636
Computer equipment	7,784	8,521
Land	5,323	16,781
Right-of-use-assets		
Buildings and greenhouses	17,697	35,167
Assets in process	1,019	3,229
	<u>418,283</u>	<u>581,581</u>
Less: Accumulated depreciation	<u>(98,180)</u>	<u>(110,310)</u>
	<u>\$ 320,103</u>	<u>\$ 471,271</u>

Depreciation expense included in cost of goods sold for the year ended March 31, 2024 is \$24,655 (year ended March 31, 2023 – \$45,119; year ended March 31, 2022 – \$50,200). Depreciation expense included in selling, general and administrative expenses for the year ended March 31, 2024 is \$3,721 (year ended March 31, 2023 – \$10,456; year ended March 31, 2022 – \$25,936).

See Note 7 for information on the impairment and abandonment of property, plant and equipment, net that resulted in a gain of \$40,578 that the Company recognized as part of its restructuring actions in the year ended March 31, 2024 (year ended March 31, 2023 – \$376,176 loss; year ended March 31, 2022 – \$224,726 loss).

15. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	March 31, 2024		March 31, 2023	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<u>Finite lived intangible assets</u>				
Intellectual property	\$ 82,423	\$ 38,571	\$ 98,383	\$ 56,333
Distribution channel	45,981	3,029	58,324	11,231
Operating licenses	24,400	15,964	24,400	19,012
Software and domain names	32,262	7,010	34,177	14,579
Brands	14,493	10,850	16,253	13,249
Amortizable intangibles in process	29	29	508	508
Total	<u>\$ 199,588</u>	<u>\$ 75,453</u>	<u>\$ 232,045</u>	<u>\$ 114,912</u>
<u>Indefinite lived intangible assets</u>				
Acquired brands		\$ 28,600		\$ 45,838
Total intangible assets		<u>\$ 104,053</u>		<u>\$ 160,750</u>

Amortization expense included in cost of goods sold for the year ended March 31, 2024 is \$55 (year ended March 31, 2023 – \$60; year ended March 31, 2022 – \$81). Amortization expense included in selling, general and administrative expenses for the year ended March 31, 2024 is \$24,745 (year ended March 31, 2023 – \$24,398; year ended March 31, 2022 – \$34,724).

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

2025	\$ 20,882
2026	17,329
2027	14,149
2028	13,553
2029	8,670
Thereafter	870
Total	<u>75,453</u>

See Note 7 for information on: (i) the impairment and abandonment of intangible assets that resulted in charges in the amount of \$nil that the Company recognized as part of its restructuring actions in the year ended March 31, 2024 (year ended March 31, 2023 -

\$27,399; year ended March 31, 2022 – \$41,404) and (ii) impairment charges of \$17,266 in the year ended March 31, 2024 (year ended March 31, 2023 – \$14,614; year ended March 31, 2022 – \$26,065).

16. GOODWILL

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

Balance, March 31, 2022	\$ 1,809,102
Disposal of consolidated entities	(227)
Impairment losses	(1,727,679)
Foreign currency translation adjustments	4,367
Balance, March 31, 2023	\$ 85,563
Impairment losses	(42,081)
Foreign currency translation adjustments	(243)
Balance, March 31, 2024	<u>\$ 43,239</u>

Year ended March 31, 2024

As part of our annual impairment testing, we performed a quantitative goodwill impairment assessment for our remaining goodwill balance, which is assigned to the Company's Storz & Bickel reporting unit. From the analysis, an impairment of \$42,081 to Storz & Bickel's goodwill was recognized as the estimated fair value of the Storz & Bickel reporting unit was less than its carrying value. The estimated fair value of the Storz & Bickel reporting unit was determined using the income valuation method, with the most significant assumptions used in applying this method being: (i) the discount rate; (ii) the expected long-term growth rate; (iii) revenue growth rate projections; and (iv) annual cash flow projections. Certain negative trends, including slower growth rates, resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation for the Storz & Bickel reporting unit. This methodology is consistent with that used by us for our annual impairment test conducted at March 31, 2023. At March 31, 2024, the remaining carrying value of the Storz & Bickel goodwill is \$43,239.

Year ended March 31, 2023

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

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

While the Company changed its reportable segments in the three months ended September 30, 2022 (see Note 35), there were no changes to the composition of the Company's reporting units to which goodwill remained assigned at September 30, 2022. In the three months ended September 30, 2022, the Company determined there to be indicators of impairment for its This Works reporting unit, as slower growth rates resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation. As a result, the Company performed a quantitative interim goodwill impairment test for its This Works reporting unit as of September 30, 2022 and concluded that the carrying value of the reporting unit was higher than its estimated fair value, as determined using the income valuation method. The Company recognized goodwill impairment losses totaling \$2,311 in the three months ended September 30, 2022, representing the entirety of the goodwill assigned to its This Works reporting unit.

At March 31, 2023, the Company performed its annual goodwill impairment analysis using the quantitative assessment. No impairment was noted for the Company's Storz & Bickel reporting unit, as the estimated fair value of the Storz & Bickel reporting unit exceeded its carrying value. The estimated fair value of the Storz & Bickel reporting unit was determined using the income valuation method, with the most significant assumptions used in applying this method being: (i) the discount rate; (ii) the expected long-term growth rate; (iii) revenue growth rate projections; and (iv) annual cash flow projections. This methodology is consistent with that used by the Company for its annual impairment test conducted at March 31, 2022.

The carrying value, at March 31, 2023, of the goodwill associated with the Storz & Bickel reporting unit was \$85,563. For the Storz & Bickel reporting unit, if all other assumptions were held constant and the discount rate was increased by 50 basis points, the estimated fair value would decrease by 5% and result in an impairment charge. If all other assumptions were held constant and the long-term growth rate was decreased by 50 basis points, the estimated fair value would decrease by 4% and result in an impairment charge. If all other assumptions were held constant and the revenue growth rate projections were decreased by 250 basis points, the

estimated fair value would decrease by 11% and result in an impairment charge. If all other assumptions were held constant and the annual cash flow projections were decreased by 250 basis points, the estimated fair value would decrease by 3%.

At March 31, 2023, the fair value of the Storz & Bickel reporting unit to which goodwill is assigned exceeded its carrying value by approximately 3%. Accordingly, the goodwill assigned to the Storz & Bickel reporting unit is at risk for impairment in future periods. The Company may be required to perform a quantitative goodwill impairment assessment in future periods for the Storz & Bickel reporting unit, to the extent the Company experiences declines in the expected long-term growth rate, revenue growth rate projections or annual cash flow projections, or if discount rates increase, or if other indicators of impairment arise.

17. OTHER ACCRUED EXPENSES AND LIABILITIES

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

	March 31, 2024	March 31, 2023
Employee compensation	\$ 21,468	\$ 27,322
Taxes and government fees	10,519	5,734
Professional fees	5,849	5,967
Other	16,203	14,720
	<u>\$ 54,039</u>	<u>\$ 53,743</u>

18. DEBT

The components of debt are as follows:

	Maturity Date	March 31, 2024	March 31, 2023
Unsecured senior notes at 4.25% interest with semi-annual interest payments	July 15, 2023		
Principal amount		\$ -	\$ 337,380
Accrued interest		-	3,148
Non-credit risk fair value adjustment		-	26,214
Credit risk fair value adjustment		-	(35,492)
		-	331,250
Credit facility	March 18, 2026		
Principal amount		486,935	886,080
Accrued interest		831	2,848
Deferred financing costs		(17,948)	(48,870)
		469,818	840,058
Supreme convertible debentures	September 10, 2025	30,654	31,503
Accretion debentures	September 10, 2025	6,390	8,780
Equity-settled convertible debentures	February 28, 2028	-	93,228
Promissory note	December 31, 2024	89,224	-
Other revolving debt facility, loan, and financings		1,143	2,062
		597,229	1,306,881
Less: current portion		(103,935)	(556,890)
Long-term portion		<u>\$ 493,294</u>	<u>\$ 749,991</u>

Unsecured Senior Notes

On June 20, 2018, the Company issued the Canopy Notes with an aggregate principal amount of \$600,000. The Canopy Notes bore interest at a rate of 4.25% per annum, payable semi-annually on January 15th and July 15th of each year commencing from January 15, 2019. The Canopy Notes matured on July 15, 2023. The Canopy Notes were subordinated in right of payment to any existing and future senior indebtedness. The Canopy Notes ranked senior in right of payment to any future subordinated borrowings. The Canopy Notes were effectively junior to any secured indebtedness and the Canopy Notes were structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries.

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

On June 29, 2022 and June 30, 2022, the Company entered into privately negotiated exchange agreements (the “Exchange Agreements”) with a limited number of holders of the Canopy Notes including Greenstar (collectively, the “2022 Noteholders”). Pursuant to the Exchange Agreements, the Company agreed to acquire and cancel approximately \$262,620 of aggregate principal amount of the Canopy Notes from the 2022 Noteholders (the “Exchange Transaction”) for an aggregate purchase price (excluding \$5,383 paid to the 2022 Noteholders in cash for accrued and unpaid interest) of \$259,994 (the “Purchase Price”), which was payable in the Company’s common shares.

On the initial closings, 3,566,242 common shares were to be issued to the 2022 Noteholders, other than Greenstar, based on a price equal to US\$35.00 per common share, which was the closing price of the common shares on the Nasdaq Global Select Market on June 29, 2022. The Company satisfied the Purchase Price as follows:

- On June 30, 2022, 1,406,935 common shares were issued to 2022 Noteholders, representing the Company’s acquisition and cancellation of an aggregate principal amount of Canopy Notes of \$63,098, which were recorded at a fair value of \$50,866.
- In July 2022, 2,159,307 common shares were issued to 2022 Noteholders, representing an aggregate principal amount of Canopy Notes of \$99,522, which were recorded at a fair value of \$76,424 upon acquisition and cancellation.
- On the final closing on July 18, 2022 (the “Final Closing”), 1,189,653 common shares were issued to 2022 Noteholders other than Greenstar, based on the volume-weighted average trading price of the common shares on the Nasdaq Global Select Market for the 10 consecutive trading days beginning on, and including, June 30, 2022, being US\$26.2450 (the “Averaging Price”).
- In addition, on the Final Closing on July 18, 2022, 2,924,546 common shares were issued to Greenstar based on a price per common share equal to the Averaging Price. Pursuant to the Exchange Transaction, the Company agreed to acquire and cancel \$100,000 in aggregate principal amount, which was recorded at a fair value of \$98,078 upon acquisition and cancellation. Prior to the completion of the Exchange Transaction, Greenstar held \$200,000 in aggregate principal amount of the Canopy Notes.

In total, 6,273,506 common shares were issued in July 2022, representing the Company’s acquisition and cancellation of an aggregate principal amount of Canopy Notes of \$199,522, and a total of 7,680,441 common shares were issued in June and July 2022, representing the Company’s acquisition and cancellation of an aggregate principal amount of Canopy Notes of \$262,620.

In connection with the Exchange Transaction, in the three months ended June 30, 2022, the Company recognized a derivative liability of \$26,594 in connection with the incremental common shares that were potentially issuable to the 2022 Noteholders, other than Greenstar, as at June 30, 2022 at the Averaging Price on the Final Closing. The derivative liability, and associated fair value changes in the year ended March 31, 2023, were recorded through other income (expense), net. The derivative liability with a fair value of \$39,896 was derecognized upon Final Closing on July 18, 2022.

On April 13, 2023, the Company entered into an exchange agreement (the “April 2023 Exchange Agreement”) with Greenstar in order to acquire and cancel \$100,000 aggregate principal amount of the Canopy Notes. Pursuant to the April 2023 Exchange Agreement, the Company agreed to acquire and cancel \$100,000 aggregate principal amount of the Canopy Notes held by Greenstar in exchange for: (i) a cash payment to Greenstar in the amount of the unpaid and accrued interest owing under the Canopy Notes held by Greenstar; and (ii) a promissory note (the “CBI Note”) issuable to Greenstar in the aggregate amount of \$100,000 payable on December 31, 2024, bearing interest at a rate of 4.25% per year, payable on maturity of the CBI Note. As a result, Greenstar no longer holds any Canopy Notes. At March 31, 2024, the estimated fair value of the CBI Note was \$89,224, measured using a discounted cash flow model. See Note 25 for additional details on how the fair value of the CBI Note is calculated on a recurring basis. As described in Note 5, in connection with the Note Exchange, the CBI Note was cancelled.

In June 2023, the Company entered into privately negotiated exchange agreements (the “June 2023 Exchange Agreements”) with certain holders of the Canopy Notes (the “Noteholders”), pursuant to which the Company acquired and cancelled an aggregate principal amount of Canopy Notes of \$12,500 in exchange for cash, including accrued and unpaid interest owing under such Canopy Notes, and the issuance of an aggregate 2,434,274 Canopy Growth common shares.

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

The Debentures were issued pursuant to a debenture indenture dated July 14, 2023 between the Company and Odyssey Trust Company, in its capacity as trustee. The Debentures were convertible into Canopy Growth common shares (the “Debenture Shares”)

at the option of the holder at any time or times following approval from the Company's shareholders for the issuance of all of the Debenture Shares in excess of the Nasdaq threshold of 19.99% and the TSX requirements of 25%, of the issued and outstanding Canopy Growth common shares in accordance with the applicable rules and regulations of the Nasdaq and the TSX (the "Shareholder Approval") until the maturity date of January 15, 2024, at a conversion price equal to \$5.50, subject to adjustment in certain events.

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

The Canopy Notes were initially recognized at fair value on the balance sheet and continued to be recorded at fair value until their repayment. All changes in fair value following initial recognition, excluding the impact of the change in fair value related to the Company's own credit risk, were recorded in other income (expense), net. The changes in fair value related to the Company's own credit risk were recorded through other comprehensive income (loss).

During the year ended March 31, 2024, the Company acquired and cancelled the remaining aggregate principal amount of Canopy Notes (March 31, 2023 - acquired and cancelled \$262,620 of aggregate principal amount), which resulted in a release of accumulated other comprehensive income into other income (expense), net of \$2,373 (March 31, 2023 - \$44,370). The related tax impact of \$13,433 for the year ended March 31, 2024 (\$14,862 - for the year ended March 31, 2023) associated with the aggregate principal amount acquired and cancelled was also released from accumulated other comprehensive income into deferred income tax expense. Refer to Note 23.

The overall change in fair value of the Canopy Notes during the years ended March 31, 2024 and March 31, 2023, was a decrease of \$331,250 and a decrease of \$232,708, respectively, which included contractual interest of \$2,925 and \$16,956, respectively, and principal redemption of \$337,380 and \$262,620, respectively. Upon redemption, the principal redeemed during the years ended March 31, 2024 and March 31, 2023 had a fair value of \$334,005 and \$225,369, respectively. Refer to Note 25 for additional details on how the fair value of the Canopy Notes is calculated.

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. As described in Note 5, in connection with the balance sheet actions completed as part of the creation of Canopy USA, the Company entered into agreements with certain of its lenders under the Credit Agreement to complete the Paydown, which resulted in the Company purchasing US\$187,500 of principal amount outstanding thereunder at a discounted price of US\$930 per US\$1,000 or US\$174,375 in the aggregate. The first payment, 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).

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

Convertible Debentures

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

The Convertible Debentures were convertible into the Company's common shares at the option of the Institutional Investor at any time or times prior to February 28, 2028, at a conversion price equal to 92.5% of the volume-weighted average price of the Company's common shares during the three consecutive trading days ending on the business day immediately prior to the date of conversion. No cash payment or any other property of the Company was made by the Company to the Institutional Investor in connection with, or as a result of, the issuance, conversion or repayment of the Convertible Debentures.

For the years ended March 31, 2024 and March 31, 2023 US\$72,800 and US\$27,200, respectively, in aggregate principal amount of the Convertible Debentures were converted for 8,445,894 and 1,414,206, respectively, Canopy Growth common shares. As of March 31, 2024, all conversions pursuant to the Convertible Debentures were completed and the amount outstanding under the Convertible Debentures was \$nil.

Supreme Cannabis Convertible Debentures and Accretion Debentures

On October 19, 2018, The Supreme Cannabis Company, Inc. ("Supreme Cannabis") entered into an indenture with Computershare Trust Company of Canada (the "Trustee") pursuant to which Supreme Cannabis issued 6.0% senior unsecured convertible debentures (the "Supreme Debentures") for gross proceeds of \$100,000. On September 9, 2020, Supreme Cannabis and the Trustee entered into a supplemental indenture to effect certain amendments to the Supreme Debentures, which included among other things: (i) the cancellation of \$63,500 of principal amount of the Supreme Debentures; (ii) an increase in the interest rate to 8% per annum; (iii) the extension of the maturity date to September 10, 2025; and (iv) a reduction in the conversion price to \$2.85.

In addition, on September 9, 2020, Supreme Cannabis issued new senior unsecured non-convertible debentures (the "Accretion Debentures"). The principal amount began at \$nil and accreted at a rate of 11.06% per annum based on the remaining principal amount of the Supreme Debentures of \$36,500 to a maximum of \$13,500, compounding on a semi-annual basis commencing on September 9, 2020, and ending on September 9, 2023. As of September 9, 2023, the principal amount of the Accretion Debentures was finalized as \$10,434. The Accretion Debentures are payable in cash, but do not bear cash interest and are not convertible into the common shares of Supreme Cannabis (the "Supreme Shares"). The principal amount of the Accretion Debentures will amortize, or be paid, at 1.0% per month over the 24 months prior to maturity. During the year ended March 31, 2024 principal payments on Accretion Debentures totaled \$3,500.

As a result of the completion of an arrangement, on June 22, 2021 by the Company and Supreme Cannabis, pursuant to which the Company acquired 100% of the issued and outstanding Supreme Shares (the "Supreme Arrangement"), the Supreme Debentures remain outstanding as securities of Supreme Cannabis, which, upon conversion will entitle the holder thereof to receive, in lieu of the number of Supreme Shares to which such holder was theretofore entitled, the consideration payable under the Supreme Arrangement that such holder would have been entitled to be issued and receive if, immediately prior to the effective time of the Supreme Arrangement, such holder had been the registered holder of the number of Supreme Shares to which such holder was theretofore entitled.

In connection with the Supreme Arrangement, the Company, Supreme Cannabis and the Trustee entered into a supplemental indenture whereby the Company agreed to issue common shares upon conversion of any Supreme Debenture. In addition, the Company may force conversion of the Supreme Debentures outstanding with 30 days' notice if the daily volume weighted average trading price of the Company's common shares is greater than \$385.90 for any 10 consecutive trading days. The Company, Supreme

Cannabis and the Trustee entered into a further supplemental indenture whereby the Company agreed to guarantee the obligations of Supreme Cannabis pursuant to the Supreme Debentures and the Accretion Debentures.

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

As described in Note 36, in connection with the Transaction, the May 2024 Investor (as defined below) delivered approximately \$27.5 million aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures and paid the Company approximately US\$50 million in exchange for the Company issuing to the May 2024 Investor (i) the May 2024 Convertible Debenture (as defined below) and (ii) the 2024 Investor Warrants (as defined below).

Debt payments

As of March 31, 2024, the required principal repayments under long-term debt obligations, excluding equity-settled convertible debentures, for each of the five succeeding fiscal years and thereafter are as follows:

2025	\$	106,913
2026		515,043
2027		-
2028		-
2029		-
Thereafter		-
	<u>\$</u>	<u>621,956</u>

19. OTHER LIABILITIES

The components of other liabilities are as follows:

	As at March 31, 2024			As at March 31, 2023		
	Current	Long-term	Total	Current	Long-term	Total
Lease liabilities	\$ 15,173	\$ 55,597	\$ 70,770	\$ 28,421	\$ 78,367	\$ 106,788
Acquisition consideration and other investment related liabilities	12,809	10,558	23,367	25,945	30,323	56,268
Refund liability	4,169	-	4,169	6,434	-	6,434
Settlement liabilities and other	15,917	5,659	21,576	32,950	13,733	46,683
	<u>\$ 48,068</u>	<u>\$ 71,814</u>	<u>\$ 119,882</u>	<u>\$ 93,750</u>	<u>\$ 122,423</u>	<u>\$ 216,173</u>

The estimated deferred payments associated with the Wana financial instrument (the "Wana Deferred Payments") within acquisition consideration and other investment related liabilities at March 31, 2024 is \$18,983 (March 31, 2023 - \$26,370). See Note 25 for additional details on how the fair value of the Wana Deferred Payments is calculated on a recurring basis.

20. REDEEMABLE NONCONTROLLING INTEREST

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

	Vert		Total
	Mirabel	BioSteel	
As at March 31, 2021	11,500	\$ 123,800	\$ 135,300
Net loss attributable to redeemable noncontrolling interest	(3,165)	(16,152)	(19,317)
Adjustments to redemption amount	(7,335)	(71,039)	(78,374)
Redemption of redeemable noncontrolling interest	-	(5,109)	(5,109)
As at March 31, 2022	1,000	31,500	32,500
Net loss attributable to redeemable noncontrolling interest	(53)	(29,491)	(29,544)
Adjustments to redemption amount	53	9,667	9,720
Redemption of redeemable noncontrolling interest	(1,000)	(11,676)	(12,676)
As at March 31, 2023	-	-	-
Net loss attributable to redeemable noncontrolling interest	-	(18,526)	(18,526)
Adjustments to redemption amount	-	18,526	18,526
As at March 31, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

21. SHARE CAPITAL

Authorized

An unlimited number of common shares.

(i) Equity financings

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

The gross proceeds from the Unit Offering were allocated to the Canopy Growth common shares, Warrants, and Over-Allotment Option based on their relative fair values. Unit quantities, price per Unit amounts and exercise price of the Warrants relating to the Subscription Agreements have been retrospectively adjusted to reflect the Share Consolidation, which became effective on December 15, 2023, see Note 2 for details.

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

The gross proceeds from the January 2024 Unit Offering were allocated to the Canopy Growth common shares and the January 2024 Warrants based on their relative fair values.

There were no equity financings during the years ended March 31, 2023 and March 31, 2022.

(ii) Other issuances of common shares

During the year ended March 31, 2024, the Company issued the following common shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of common shares ¹	Share capital	Share based reserve
Settlement of Convertible Debentures	8,445,894	\$ 108,055	\$ -
Settlement of Canopy Notes	11,477,366	57,084	-
Settlement of Debentures	7,341,818	87,754	-
Other issuances and share issue costs	6,165	(317)	(80)
Total	27,271,243	\$ 252,576	\$ (80)

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

During the year ended March 31, 2023, the Company issued the following common shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of common shares ¹	Share capital	Share based reserve
Settlement of Convertible Debentures	1,414,206	\$ 38,781	\$ -
HSCP Holders pursuant to Amended TRA	1,275,101	41,202	-
Jetty Agreements	842,654	59,013	-
Completion of acquisition milestones	22,242	1,379	(1,379)
Other issuances	29,985	1,621	(572)
Total	<u>3,584,188</u>	<u>\$ 141,996</u>	<u>\$ (1,951)</u>

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

For the year ended March 31, 2023, the Company also issued 869,213 common shares with a value of \$26,506 relating to its redemption of the redeemable noncontrolling interest in BioSteel. The redemption increases the Company's interest in BioSteel from 78.6% to 90.4%.

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

	Number of common shares ¹	Share capital	Share based reserve
Acquisition of Supreme Cannabis	901,340	\$ 260,668	\$ -
Completion of acquisition milestones	129,529	29,276	(29,721)
Other issuances	49,274	8,201	(736)
Total	<u>1,080,143</u>	<u>\$ 298,145</u>	<u>\$ (30,457)</u>

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

(iii) Warrants

	Number of whole warrants ²	Average exercise price	Warrant value
Balance outstanding at March 31, 2021 ¹	12,707,314	\$ 583.30	\$ 2,568,438
Exercise of warrants	126,574	256.10	13,350
Expiry of warrants	(14,583)	326.10	-
Balance outstanding at March 31, 2022 ¹	12,819,305	\$ 580.40	\$ 2,581,788
Expiry of warrants	-	-	-
Balance outstanding at March 31, 2023 ¹	12,819,305	\$ 580.40	\$ 2,581,788
Issuance of warrants from private placement	10,451,457	9.11	28,731
Expiry of warrants	(12,819,305)	580.39	-
Balance outstanding at March 31, 2024	<u>10,451,457</u>	<u>\$ 9.12</u>	<u>\$ 2,610,519</u>

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

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

22. SHARE-BASED COMPENSATION

CANOPY GROWTH CORPORATION SHARE-BASED COMPENSATION PLAN

On September 25, 2023, the Company's shareholders approved a new Omnibus Equity Incentive Plan (the "Omnibus Equity Incentive Plan") pursuant to which the Company can issue share-based long-term incentives. The Omnibus Equity Incentive Plan replaces the Company's previous equity incentive plan, which was originally approved by the Company's shareholders on July 30, 2018 (the "Previous Equity Incentive Plan"). The approval of the Omnibus Equity Incentive Plan and replacement of the Previous Equity Incentive Plan are detailed in the Company's annual definitive proxy statement filed with the Securities and Exchange Commission on August 9, 2023.

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

shares issuable pursuant to other security-based compensation arrangements of the Company (including common shares reserved for issuance under the Previous Equity Incentive Plan).

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

The maximum number of common shares reserved for Awards is 9,111,550 at March 31, 2024 (March 31, 2023 – 5,173,056). As of March 31, 2024, the only Awards issued have been Options, RSUs and performance share units ("PSUs") under the Previous Equity Incentive Plan, and Options and RSUs under the Omnibus Equity Incentive Plan.

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

Under the Company's Employee Share Purchase Plan (the "Purchase Plan") the aggregate number of common shares that may be issued is 60,000, and the maximum number of common shares which may be issued in any one fiscal year shall not exceed 30,000. As of March 31, 2024, the Company has issued a total of 59,993 common shares under the Purchase Plan (March 31, 2023 – 53,567) with 6,426 being issued in the current fiscal year (March 31, 2023 – 29,985). The Purchase Plan concluded in August 2023 as all of the common shares available have been purchased and the Company does not currently intend to reinstate the Purchase Plan at this time.

The following is a summary of the changes in the Company's Omnibus Equity Incentive Plan and Previous Equity Incentive Plan employee options during the years ended March 31, 2022, 2023 and 2024:

	Options issued ¹	Weighted average exercise price ¹
Balance outstanding at March 31, 2021	1,770,431	\$ 367.90
Options granted	253,729	174.00
Replacement options issued as a result of the acquisition of Supreme Cannabis	14,016	805.30
Options exercised	(44,568)	122.70
Options forfeited	(315,312)	420.30
Balance outstanding at March 31, 2022	1,678,296	\$ 338.90
Options granted	465,880	49.30
Options exercised	(7,959)	35.30
Options forfeited	(761,128)	288.00
Balance outstanding at March 31, 2023	1,375,089	\$ 271.20
Options granted	2,438,257	6.22
Options exercised	(1,143)	0.60
Options forfeited	(928,281)	214.17
Balance outstanding at March 31, 2024	<u>2,883,922</u>	<u>\$ 70.01</u>

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

The following is a summary of the Options outstanding as at March 31, 2024:

Range of Exercise Prices ¹	Options Outstanding		Options Exercisable	
	Outstanding at March 31, 2024 ¹	Weighted Average Remaining Contractual Life (years)	Exercisable at March 31, 2024 ¹	Weighted Average Remaining Contractual Life (years)
\$0.60 - \$7.50	2,098,108	5.24	2,471	0.38
\$7.51 - \$56.10	278,998	4.39	93,008	4.39
\$56.11 - \$676.40	506,816	1.41	384,845	1.26
	<u>2,883,922</u>	<u>4.49</u>	<u>480,324</u>	<u>1.86</u>

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

At March 31, 2024, the weighted average exercise price of Options outstanding and options exercisable was \$70.01 and \$312.68, respectively (March 31, 2023 – \$271.20 and \$372.80, respectively).

The Company recorded \$10,403 in share-based compensation expense related to Options and Purchase Plan shares issued to employees and contractors for the year ended March 31, 2024 (for the year ended March 31, 2023 – \$6,878; for the year ended March 31, 2022 – \$27,163). The share-based compensation expense for the year ended March 31, 2024 includes an amount related to 107,874 Options being provided in exchange for services which are subject to performance conditions (for the year ended March 31, 2023 – 107,874; for the year ended March 31, 2022 – 133,625).

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

The Company uses the Black-Scholes option pricing model to establish the fair value of Options granted during the years ended March 31, 2024, 2023 and 2022 on their measurement date by applying the following assumptions:

	March 31, 2024	March 31, 2023	March 31, 2022
Risk-free interest rate	3.83%	3.45%	1.09%
Expected life of options (years)	3 - 5	3 - 5	3 - 5
Expected volatility	82.85%	77%	75%
Expected forfeiture rate	20.59%	19%	18%
Expected dividend yield	nil	nil	nil
Black-Scholes value of each Option ¹	\$ 3.87	\$ 29.20	\$ 96.90

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

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

For the year ended March 31, 2024, the Company recorded \$3,777 in share-based compensation expense related to RSUs and PSUs (for the year ended March 31, 2023 – \$18,444, for the year ended March 31, 2022 – \$10,709).

The following is a summary of changes in the Company's RSUs and PSUs during the years ended March 31, 2022, 2023 and 2024:

	Number of RSUs and PSUs ¹
Balance outstanding at March 31, 2021	75,331
RSUs and PSUs granted	325,367
RSUs and PSUs released	(30,032)
RSUs and PSUs cancelled and forfeited	(22,937)
Balance outstanding at March 31, 2022	347,729
RSUs and PSUs granted	314,310
RSUs and PSUs released	(146,494)
RSUs and PSUs cancelled and forfeited	(257,223)
Balance outstanding at March 31, 2023	258,322
RSUs and PSUs granted	1,556,983
RSUs and PSUs released	(140,496)
RSUs and PSUs cancelled and forfeited	(402,510)
Balance outstanding at March 31, 2024	1,272,299

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

During the year ended March 31, 2024, the Company recorded \$nil in share-based compensation expense related to acquisition milestones (for the year ended March 31, 2023 - \$nil; for the year ended March 31, 2022 - \$7,991).

23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income includes the following components:

	Foreign currency translation adjustments	Changes of own credit risk of financial liabilities	Accumulated other comprehensive income (loss)
As at March 31, 2021	\$ (28,246)	\$ (5,994)	\$ (34,240)
Disposal of consolidated entities	16,130	-	16,130
Other comprehensive (loss) income	(45,352)	21,180	(24,172)
As at March 31, 2022	(57,468)	15,186	(42,282)
Settlement of unsecured senior notes, net of deferred income tax	-	(29,507)	(29,507)
Other comprehensive income	27,207	30,722	57,929
As at March 31, 2023	(30,261)	16,401	(13,860)
Settlement of unsecured senior notes, net of deferred income tax	-	11,060	11,060
Other comprehensive loss	(917)	(12,334)	(13,251)
As at March 31, 2024	<u>\$ (31,178)</u>	<u>\$ 15,127</u>	<u>\$ (16,051)</u>

24. NONCONTROLLING INTERESTS

The net change in the noncontrolling interests is as follows:

	Vert Mirabel	BioSteel	Other	Total
As at March 31, 2021	\$ -	\$ 1,658	\$ 3,051	\$ 4,709
Comprehensive loss	(3,165)	(16,152)	(1,207)	(20,524)
Net loss attributable to redeemable noncontrolling interest	3,165	16,152	-	19,317
Share-based compensation	-	839	-	839
As at March 31, 2022	-	2,497	1,844	4,341
Comprehensive loss	(53)	(29,491)	(1,844)	(31,388)
Net loss attributable to redeemable noncontrolling interest	53	29,491	-	29,544
Share-based compensation	-	570	-	570
Ownership changes	-	-	140	140
Redemption of redeemable noncontrolling interests, net	-	(1,620)	-	(1,620)
As at March 31, 2023	-	1,447	140	1,587
Comprehensive loss	-	(18,526)	-	(18,526)
Net loss attributable to redeemable noncontrolling interest	-	18,526	-	18,526
Share-based compensation	-	148	-	148
Ownership changes	-	(1,595)	(1)	(1,596)
As at March 31, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ 139</u>

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
March 31, 2024				
Assets:				
Short-term investments	\$ 33,161	\$ -	\$ -	\$ 33,161
Restricted short-term investments	7,310	-	-	7,310
Other financial assets	2,957	-	426,306	429,263
Liabilities:				
Long-term debt	-	-	89,224	89,224
Other liabilities	-	-	18,983	18,983
March 31, 2023				
Assets:				
Short-term investments	\$ 105,526	\$ -	\$ -	\$ 105,526
Restricted short-term investments	11,765	-	-	11,765
Other financial assets	269	-	559,525	559,794
Liabilities:				
Unsecured senior notes	-	331,250	-	331,250
Other liabilities	-	-	29,952	29,952

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

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

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

Financial asset / financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Acreage financial instrument	Probability weighted expected return model	Probability of each scenario	Change in probability of occurrence in each scenario will result in a change in fair value
		Number of common shares to be issued	Increase or decrease in value and number of common shares will result in a decrease or increase in fair value
		Intrinsic value of Acreage	Increase or decrease in intrinsic value will result in an increase or decrease in fair value
		Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Estimated premium on US legalization	Increase or decrease in estimated premium on US legalization will result in an increase or decrease in fair value
		Control premium	Increase or decrease in estimated control premium will result in an increase or decrease in fair value
		Market access premium	Increase or decrease in estimated market access premium will result in an increase or decrease in fair value

TerrAscend Exchangeable Shares, TerrAscend Option	Put option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Hempco Debenture	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
TerrAscend warrants - December 2022	Black-Sholes option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Wana financial instrument - Call Options	Discounted cash flow	Expected future Wana cash flows	Increase or decrease in expected future Wana cash flows will result in an increase or decrease in fair value
		Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
Wana financial instrument - Deferred Payments	Monte Carlo simulation model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Volatility of Wana equity	Increase or decrease in volatility will result in an increase or decrease in fair value
Jetty financial instrument - Call Options	Discounted cash flow	Expected future Jetty cash flows	Increase or decrease in expected future Jetty cash flows will result in an increase or decrease in fair value
		Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
Jetty financial instrument - Deferred Payments	Monte Carlo simulation model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Volatility of Jetty equity and revenue	Increase or decrease in volatility will result in an increase or decrease in fair value
CBI promissory note	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
BioSteel redeemable noncontrolling interest	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Expected future BioSteel cash flows	Increase or decrease in expected future BioSteel cash flows will result in an increase or decrease in fair value
Acreage Debt Option Premium	Monte Carlo simulation model	Volatility of Acreage share price	Increase or decrease in volatility will result in a decrease or increase in fair value
Acreage Tax Receivable Agreement	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
	Probability-weighted expected return model	Probability of each scenario	Change in probability of occurrence in each scenario will result in a change in fair value
		Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value

26. REVENUE

Revenue is disaggregated as follows:

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Canada cannabis			
Canadian adult-use cannabis			
Business-to-business ¹	\$ 92,370	\$ 95,026	\$ 143,732
Business-to-consumer	-	36,243	61,570
	<u>92,370</u>	<u>131,269</u>	<u>205,302</u>
Canadian medical cannabis ²	61,346	55,798	52,608
	<u>\$ 153,716</u>	<u>\$ 187,067</u>	<u>\$ 257,910</u>
International markets cannabis	\$ 41,312	\$ 38,949	\$ 79,306
Storz & Bickel	\$ 70,670	\$ 64,845	\$ 85,410
This Works	\$ 21,256	\$ 26,029	\$ 32,296
Other	10,192	16,363	20,777
	<u>297,146</u>	<u>333,253</u>	<u>475,699</u>
Net revenue	<u>\$ 297,146</u>	<u>\$ 333,253</u>	<u>\$ 475,699</u>

¹Canadian adult-use business-to-business net revenue during the year ended March 31, 2024 reflects excise taxes of \$40,115 (year ended March 31, 2023 - \$43,071; and year ended March 31, 2022 - \$56,666).

²Canadian medical cannabis net revenue during the year ended March 31, 2024 reflects excise taxes of \$6,673 (year ended March 31, 2023 - \$4,926; and year ended March 31, 2022 - \$5,227).

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 \$4,159 for the year ended March 31, 2024 (year ended March 31, 2023 – \$12,072; and year ended March 31, 2022 – \$11,588). As of March 31, 2024, the liability for estimated returns and price adjustments was \$4,169 (March 31, 2023 – \$6,434).

27. OTHER INCOME (EXPENSE), NET

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

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Fair value changes on other financial assets	\$ (124,806)	\$ (424,115)	\$ (356,109)
Fair value changes on liability arising from Acreage Arrangement	-	47,000	553,000
Fair value changes on debt	(35,843)	(43,104)	76,776
Fair value changes on warrant derivative liability	-	26,920	588,655
Fair value changes on acquisition related contingent consideration and other	12,315	38,890	4,417
(Charges) gain related to settlement of debt	(12,134)	582	-
Interest income	16,235	24,282	6,601
Interest expense	(105,352)	(126,157)	(103,942)
Foreign currency gain	704	1,816	3,113
Other income (expense), net	6,240	(1,758)	(21,470)
	<u>\$ (242,641)</u>	<u>\$ (455,644)</u>	<u>\$ 751,041</u>

28. INCOME TAXES

Net loss before income taxes was generated as follows:

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Domestic - Canada	\$ (280,786)	\$ (2,284,864)	\$ (102,313)
Foreign - outside of Canada	(190,569)	(801,294)	(165,545)
	<u>\$ (471,355)</u>	<u>\$ (3,086,158)</u>	<u>\$ (267,858)</u>

The income tax (expense) recovery consists of the following:

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Current			
Domestic - Canada	\$ (462)	\$ 4,783	\$ 895
Foreign - outside of Canada	194	(676)	1,476
	<u>\$ (268)</u>	<u>\$ 4,107</u>	<u>\$ 2,371</u>
Deferred			
Domestic - Canada	\$ (12,596)	\$ (2,649)	\$ 6,353
Foreign - outside of Canada	537	4,270	224
	<u>(12,059)</u>	<u>1,621</u>	<u>6,577</u>
Income tax (expense) recovery	<u>\$ (12,327)</u>	<u>\$ 5,728</u>	<u>\$ 8,948</u>

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

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

A reconciliation of the amount of income taxes reflected above compared to the expected income taxes calculated at the combined Canadian federal and provincial enacted statutory tax rate of 26.5% for each of the three years ended March 31, 2024, 2023 and 2022 is as follows:

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Net loss before income taxes	\$ (471,355)	\$ (3,086,158)	\$ (267,858)
Expected tax rate	26.5%	26.5%	26.5%
Expected income tax recovery	124,909	817,832	70,982
Non-deductible and non-taxable items	5,072	(29,292)	17,557
Fair value changes on Acreage Arrangement	(1,191)	12,386	146,545
Fair value changes on warrant derivative liability	-	6,294	155,964
Settlement of unsecured senior notes	(11,360)	(14,862)	-
Share-based compensation	(2,796)	(2,126)	(9,908)
Goodwill impairment	-	(473,702)	-
Change in valuation allowance	(137,213)	(252,260)	(344,965)
Effect of tax rates outside of Canada	3,072	(4,596)	8,459
Non-taxable portion of capital gains and losses	(77,076)	(48,573)	(38,440)
Effect from divestiture of consolidated entities	84,842	-	-
Other	(586)	(5,373)	2,754
Income tax (expense) recovery	<u>\$ (12,327)</u>	<u>\$ 5,728</u>	<u>\$ 8,948</u>

Current income taxes payable in the amount of \$512 (March 31, 2023 – \$1,592) is included in accounts payable and current income taxes receivable in the amount of \$485 (March 31, 2023 – \$5,446) is included in other accounts receivable.

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 year in which the Company determines that realization is not in doubt. Where the final determined outcome is different from the Company's estimate, such difference will impact the Company's income taxes in the year during which such determination is made.

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

	Years ended	
	March 31, 2024	March 31, 2023
Deferred income tax assets		
Property, plant and equipment	\$ 94,386	\$ 104,015
Intangible assets	14,017	11,202
Inventory reserves and write-downs	6,448	18,749
Other reserves and accruals	4,590	5,988
Losses carried forward	1,115,772	1,063,994
Equity method investments and other financial assets	95,266	72,881
Deferred financing costs	15,013	4,596
Unrealized Losses	59,167	-
Other	13,145	10,361
Gross deferred income tax assets	1,417,804	1,291,786
Valuation allowances	(1,415,794)	(1,278,581)
Total deferred income tax assets, net	<u>\$ 2,010</u>	<u>\$ 13,205</u>
Deferred income tax liabilities		
Property, plant and equipment	\$ -	\$ (3,475)
Intangible assets	(29)	(7,788)
Deferred financing costs	-	(1,345)
Total deferred income tax liabilities	<u>(29)</u>	<u>(12,608)</u>
Net deferred income tax assets	<u>\$ 1,981</u>	<u>\$ 597</u>
<p>In evaluating whether it is more likely than not that all or a portion of a deferred income tax asset will be realized consideration is given to the estimated reversal of deferred income tax liabilities and future taxable income. The Company has recognized valuation allowances for operating losses carried forward, capital losses carried forward and other deferred income tax assets when it is believed that it is more likely than not that these items will not be realized.</p>		
<p>As at March 31, 2024, the Company had temporary differences associated with investments in foreign subsidiaries for which no deferred income tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and material undistributed earnings are considered permanently invested. Determination of the amount of the unrecognized deferred income tax liability is not practicable due to the inherent complexity of the multi-jurisdictional operations of the Company.</p>		
<p>As at March 31, 2024, the Company has the following losses carried forward available to reduce future years' taxable income, which losses expire as follows:</p>		
Expiring within 5 years		\$ 1,512
Expiring between 5 and 10 years		13,547
Expiring between 10 and 15 years		615,838
Expiring between 15 and 20 years		2,374,046
Indefinite		539,273
		<u>\$ 3,544,216</u>
Total in Canada		\$ 3,003,430
Total in United States		490,039
Total in Europe		50,747
		<u>\$ 3,544,216</u>
Total operating losses		\$ 3,544,216
Total capital losses (carried forward indefinitely)		1,372,414
		<u>\$ 4,916,630</u>

29. ACQUISITIONS

(a) Year ended March 31, 2024

There were no acquisitions during the year ended March 31, 2024

(b) Year ended March 31, 2023

The following table summarizes the consolidated balance sheet impact at acquisition of the Company's business combinations that occurred in the year ended March 31, 2023.

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

The table above summarizes the fair value of the consideration given and the fair values assigned to the assets acquired and liabilities assumed for the acquisition completed in the year ended March 31, 2023.

Acquisition of Verona Facility

On November 8, 2022, the Company, through its affiliate BioSteel, completed the acquisition (the "Verona Acquisition") of a manufacturing facility located in Verona, Virginia (the "Verona Facility") from Flow Beverage Corp. ("Flow"), one of BioSteel's contract manufacturers. Consideration was \$26,398 (US\$19,477), consisting of cash paid of \$15,685 (US\$11,573) and \$8,538 (US\$6,299) related to the repayment of debt and the retirement of certain lease obligations, and \$2,175 (US\$1,605) in remediation and indemnity holdbacks to be retained by the Company and paid within one year of the closing of the Verona Acquisition. BioSteel and Flow entered into a co-manufacturing agreement whereby, in addition to the production of BioSteel-branded sports hydration beverages, BioSteel will produce Flow's portfolio of branded water at the Verona Facility. Such co-manufacturing agreement is no longer in effect.

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

(c) Acquisitions completed in the year ended March 31, 2022

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

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

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

(i) Ace Valley

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

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

(ii) Supreme Cannabis

On June 22, 2021, the Company and Supreme Cannabis completed an arrangement (the "Supreme Arrangement") pursuant to which the Company acquired 100% of the issued and outstanding common shares of Supreme Cannabis (the "Supreme Shares"). Supreme Cannabis is a producer of adult-use, wholesale and medical cannabis products, with a diversified portfolio of distinct cannabis companies, products and brands. Pursuant to the Supreme Arrangement, the Company issued 901,340 common shares with a fair value on closing of \$260,668 and made a cash payment of \$84 to former Supreme Cannabis shareholders in consideration for their Supreme Shares.

The Company also assumed the obligation to issue 126,574 common shares upon the exercise of outstanding warrants of Supreme Cannabis and issued 14,016 replacement options. The fair value of the obligation upon the exercise of the outstanding warrants of Supreme Cannabis was estimated to be \$13,350 using a Black-Scholes model. The replacement options' fair value totaled

\$1,452, calculated using a Black-Scholes model, of which \$629 was included in consideration paid as it related to pre-combination services and the residual \$823 fair value was recognized immediately in share-based compensation expense after the completion of the acquisition.

On June 22, 2021, Supreme Cannabis had convertible debentures outstanding with a principal amount of \$27,045 which were convertible into 94,895,649 Supreme Shares. As a result of the acquisition the conversion feature was adjusted in accordance with an exchange ratio of 0.0011659. The fair value of these convertible debentures on June 22, 2021 was estimated to be \$36,593, of which \$4,937 was allocated to the conversion feature and \$31,656 to the debt component. As described in Note 36, in connection with the Transaction, the May 2024 Investor delivered approximately \$27.5 million aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures and paid the Company approximately US\$50 million in exchange for the Company issuing to the May 2024 Investor (i) the May 2024 Convertible Debenture and (ii) the 2024 Investor Warrants.

In the year ended March 31, 2023, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method.

30. DIVESTITURES

(a) This Works Divestiture

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

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

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

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

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

(b) Retail Divestiture

On September 27, 2022, the Company entered into the following two agreements to divest its retail business in Canada, which includes the retail stores operating under the Tweed and Tokyo Smoke banners:

- An agreement with OEG Retail Cannabis (“OEGRC”), a prior Canopy Growth licensee partner, pursuant to which OEGRC acquired ownership of 23 of the Company’s corporate-owned retail stores in Manitoba, Saskatchewan and Newfoundland and Labrador, as well as all Tokyo Smoke-related intellectual property (the “OEGRC Transaction”). In connection with the OEGRC Transaction, the Tokyo Smoke brand has been transferred to OEGRC and all acquired retail stores branded as Tweed will be rebranded by OEGRC. In addition, the master franchise agreement between the Company and OEGRC, pursuant to which OEGRC licenses the Tokyo Smoke brand in Ontario, was terminated effective on the closing of the OEGRC Transaction. The OEGRC Transaction closed on December 30, 2022.
- An agreement (the “FOUR20 Agreement”) with 420 Investments Ltd. (“FOUR20”), a licensed cannabis retailer, pursuant to which FOUR20 acquired ownership of five of the Company’s corporate-owned retail stores in Alberta (the “FOUR20 Transaction”). Pursuant to the FOUR20 Agreement, the stores will be rebranded under FOUR20’s retail banner upon closing of the FOUR20 Transaction. The FOUR20 Transaction closed on October 26, 2022.

In the three months ended December 31, 2022, upon closing of the OEGRC Transaction and the FOUR20 Transaction, the Company received a cash payment of \$88. At December 31, 2022, the Company was also entitled to deferred consideration of \$5,500, and an earn-out payment of \$6,099, subject to the achievement of certain revenue targets by the divested retail stores. In the three months ended March 31, 2023, \$2,500 of deferred consideration was received.

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

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

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

(c) C³ Divestiture

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

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

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

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

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

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

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

Acreege Arrangement

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

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

- Following the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Original Acreege Arrangement Agreement (as modified in connection with the Acreege Amending Agreement), Canopy Growth will acquire all of the issued and outstanding Fixed Shares based on an amended exchange ratio equal to 0.03048 of a common share to be received for each Fixed Share held. The foregoing exchange ratio for the Fixed Shares is subject to adjustment in accordance with the Acreege Amended Arrangement if, among other things, Acreege issues greater than the permitted number of Fixed Shares;
- Upon the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event, Canopy Growth will have the right (the “Acreege Floating Option”) exercisable for a period of 30 days, to acquire all of the issued and outstanding Floating Shares for cash or common shares or a combination thereof, in Canopy Growth's sole discretion at a price equal to the 30-day volume weighted average trading price of the Floating Shares on the Canadian Securities Exchange, subject to a minimum call price of US\$6.41 per Floating Share. The foregoing exchange ratio for the Floating Shares is subject to adjustment in accordance with the Acreege Amended Arrangement if Acreege issues greater than the permitted number of Floating Shares. The acquisition of the Floating Shares, if acquired, will take place concurrently with the closing of the acquisition of the Fixed Shares;
- Immediately prior to the acquisition of the Fixed Shares, each issued and outstanding Class F multiple voting share will automatically be exchanged for one Fixed Share and thereafter be acquired by Canopy Growth upon the same terms and conditions as the acquisition of the Fixed Shares;
- If the occurrence or waiver of the Triggering Event does not occur by September 23, 2030, Canopy Growth's rights to acquire both the Fixed Shares and the Floating Shares will terminate;
- Upon implementation of the Acreege Amended Arrangement, Canopy Growth made a cash payment to the shareholders of Acreege and holders of certain convertible securities in the aggregate amount of US\$37,500 (\$49,849); and
- Acreege is only permitted to issue an aggregate of up to 32,700,000 Fixed Shares and Floating Shares.

See Note 5 for information regarding the Reorganization. In connection with the Reorganization and the Floating Share Arrangement Agreement, Canopy Growth irrevocably waived the Acreege Floating Option and subject to, among other things, the terms of the Floating Share Arrangement Agreement, Canopy USA will acquire all of the issued and outstanding Floating Shares. Following the implementation of the Reorganization, Canopy USA, as of October 24, 2022, holds certain U.S. cannabis investments previously held by the Company, which is expected to enable Canopy USA, following, among other things, the Meeting, to consummate the acquisitions of Wana, Jetty and Acreege (subsequent to the Acreege Option exercise).

At March 31, 2024, the right and the obligation to: (i) acquire the Fixed Shares pursuant to the Existing Acreege Arrangement Agreement; and (ii) acquire the Floating Shares pursuant to the Floating Share Arrangement Agreement (together, the “Acreege financial instrument”), represents a financial asset of \$10,000 (March 31, 2023 – \$55,382). At March 31, 2024, the estimated fair value of the Acreege business is more than the estimated fair value of the consideration to be provided upon the exercise of the Acreege financial instrument. Fair value changes on the Acreege financial instrument are recognized in other income (expense), net; see Note 27. The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 25 for additional details on how the fair value of the Acreege financial instrument is calculated on a recurring basis. From a measurement perspective, the Company has elected the fair value option under ASC 825 - *Financial Instruments* ("ASC 825").

In connection with the Acreege Amended Arrangement, on September 23, 2020, an affiliate of the Company advanced US\$50,000 (\$66,995) to Universal Hemp, LLC, a wholly owned subsidiary of Acreege (“Acreege Hempco”) pursuant to a secured

debenture (“Hempco Debenture”). In accordance with the terms of the Hempco Debenture, the funds advanced to Acreage Hempco cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. The Hempco Debenture bears interest at a rate of 6.1% per annum and matures on September 23, 2030, or such earlier date in accordance with the terms of the Hempco Debenture. All interest payments made pursuant to the Hempco Debenture are payable in cash by Acreage Hempco. The Hempco Debenture is not convertible and is not guaranteed by Acreage. In connection with the Reorganization, on October 24, 2022, the Company transferred the Hempco Debenture to Canopy USA.

The amount advanced on September 23, 2020 pursuant to the Hempco Debenture has been recorded in other financial assets (see Note 13), and the Company has elected the fair value option under ASC 825 (see Note 25). At March 31, 2024, the estimated fair value of the Hempco Debenture issued to an affiliate of the Company by Acreage Hempco was \$11,780 (March 31, 2023 – \$29,262), measured using a discounted cash flow model (see Note 25). Refer to Note 13 for details on fair value changes, foreign currency translation adjustment, and anticipated interest to be received. An additional US\$50,000 may be advanced pursuant to the Hempco Debenture subject to the satisfaction of certain conditions by Acreage Hempco.

Amendment to the CBI Investor Rights Agreement and warrants

On April 18, 2019, certain wholly owned subsidiaries of CBI and Canopy Growth entered into the Second Amended and Restated Investor Rights Agreement (the “Amended Investor Rights Agreement”) and a consent agreement (the “Prior Consent Agreement”). In connection with these agreements, on June 27, 2019, Canopy Growth: (i) extended the term of the first tranche of warrants, which would allow CBI to acquire 8.85 million additional shares of Canopy Growth for a fixed price of \$504.00 per share (the “Tranche A Warrants”), to November 1, 2023; and (ii) replaced the second tranche of warrants with two new tranches of warrants (the “Tranche B Warrants” and the “Tranche C Warrants”) as follows:

- the Tranche B Warrants were exercisable to acquire 3.85 million common shares at a price of \$766.80 per common share; and
- the Tranche C Warrants were exercisable to acquire 1.28 million common shares at a price equal to the 5-day volume-weighted average price of the common shares immediately prior to exercise.

In connection with the Tranche B Warrants and the Tranche C Warrants, Canopy Growth agreed to provide CBI with a share repurchase credit of up to \$1.583 billion on the aggregate exercise price of the Tranche B Warrants and Tranche C Warrants in the event that Canopy Growth did not purchase for cancellation the lesser of: (i) 2,737,886 common shares; and (ii) common shares with a value of \$1.583 billion, during the period commencing on April 18, 2019 and ending on the date that is 24 months after the date that CBI exercised all of the Tranche A Warrants.

The modifications to the Tranche A Warrants resulted in them meeting the definition of a derivative instrument under ASC 815 - *Derivatives and Hedging* (“ASC 815”). They were classified in equity as the number of shares and exercise price were both fixed at inception. The Tranche B Warrants were accounted for as derivative instruments (the “warrant derivative liability”) measured at fair value in accordance with ASC 815.

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

As described in Note 5, in connection with the Reorganization, the Company entered into the Third Consent Agreement, pursuant to which, following the CBI Exchange, other than the Third Consent Agreement and the termination rights contained therein and the CBI Note (as defined below), all agreements between the Company and CBI were terminated, including the Amended Investor Rights Agreement and the Prior Consent Agreement and the CBI nominees that were sitting on the board of directors of the Company (the “Board”) immediately prior to the CBI Exchange resigned as directors of the Company. In addition, as described in Note 5, in connection with the Note Exchange, the CBI Note was cancelled.

32. LEASES

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

The right-of-use asset is initially measured at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs and lease payments at or before the lease commencement date, less any lease incentives received, and is amortized on a straight-line basis over the remaining lease term. All right-of-use assets are reviewed periodically for impairment. The lease liability is initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. We elected to recognize expenses for leases with a term of 12

months or less on a straight-line basis over the lease term and not to recognize these short-term leases on the balance sheet. Leases have varying terms and certain of our lease arrangements provide us with the option to extend or to terminate the lease early.

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

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

Balance sheet location

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

	March 31, 2024	March 31, 2023
Property, plant and equipment		
Operating lease	\$ 7,154	\$ 17,850
Finance lease	5,362	8,838
	<u>\$ 12,516</u>	<u>\$ 26,688</u>
Other current liabilities:		
Operating lease	\$ 11,733	\$ 8,880
Finance lease	3,440	19,541
Other long-term liabilities:		
Operating lease	23,084	38,719
Finance lease	32,513	39,648
	<u>\$ 70,770</u>	<u>\$ 106,788</u>

Lease expense

The components of total lease expense are as follows:

	Years ended	
	March 31, 2024	March 31, 2023
Operating lease expense	\$ 8,528	\$ 9,856
Finance lease expense:		
Amortization of right-of-use assets	-	1,494
Interest on lease liabilities	1,840	2,018
	<u>\$ 10,368</u>	<u>\$ 13,368</u>

Lease maturities

As of March 31, 2024, the minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 13,222	\$ 4,988
2026	9,468	32,695
2027	6,837	-
2028	5,519	-
2029	2,912	-
Thereafter	-	-
Total lease payments	<u>\$ 37,958</u>	<u>\$ 37,683</u>
Less: Interest	<u>3,141</u>	<u>1,730</u>
Total lease liabilities	<u>\$ 34,817</u>	<u>\$ 35,953</u>

Supplemental information

	<u>Years ended</u>	
	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 10,362	\$ 12,679
Operating cash flows from finance leases	1,840	2,018
Financing cash flows from finance leases	17,419	5,997
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ -	\$ 756
Finance leases	-	2,714
	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Weighted-average remaining lease term:		
Operating leases	4	5
Finance leases	1	3
Weighted-average discount rate		
Operating leases	5.92%	5.24%
Finance leases	4.50%	4.50%

33. RELATED PARTY

Year ended March 31, 2024

There were no reportable related party transactions in the year ended March 31, 2024. Refer to Note 36 for the CBI's conversion of Common Shares into Exchangeable Shares.

Year ended March 31, 2023

Pursuant to the Reorganization, the Company entered into certain agreements with CBI, including the Third Consent Agreement. See "Relationship with CBI" in Note 5.

Year ended March 31, 2022

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

34. COMMITMENTS AND CONTINGENCIES

The Company has entered into agreements in which it has committed to purchase a minimum amount of inventory, pay a minimum amount of royalty expenses, incur expenditures for property, plant and equipment and procure various other goods or services. The following summarizes the Company's annual minimum commitments associated with its contractual agreements as of

March 31, 2024. This amount excludes the Company's debt and lease related commitments which are disclosed elsewhere in Notes 18 and 32, respectively in these consolidated financial statements.

2025	\$ 35,430
2026	3,614
2027	214
2028	-
2029	-
Thereafter	-
	\$ 39,258

Legal proceedings

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

Request for arbitration

On December 29, 2023, a request for arbitration was made to the Company. Damages are being sought in the amount of US\$32,667 against the Company based on alleged breaches of a Share Purchase Agreement ("SPA"), including breaches of the duty of good faith and honest performance in relation to certain milestone payments in the SPA. The Company denies the allegations, believes that the respondents have meritorious defenses, and expects to vigorously defend the claims, although the Company cannot predict when or how the arbitration will be resolved or estimate what the potential loss or range of loss would be, if any.

35. SEGMENTED INFORMATION

Reportable segments

Prior to the three months ended September 30, 2022, the Company had the following two reportable segments: (i) global cannabis; and (ii) other consumer products. Following the completion of certain restructuring actions which were initiated in the three months ended March 31, 2022, and which were aligned with the Company's strategic review of its business (see Note 7 for details), the Company has changed the structure of its internal management financial reporting. Accordingly, since the three months ended September 30, 2022, the Company began reporting its financial results for the following four reportable segments:

- **Canada cannabis** - includes the production, distribution and sale of a diverse range of cannabis, hemp and cannabis-related products in Canada pursuant to the *Cannabis Act*;
- **International markets cannabis** - includes the production, distribution and sale of a diverse range of cannabis and hemp products internationally pursuant to applicable international legislation, regulations and permits. Priority markets include medical cannabis in Australia and Europe where the Company offers branded high-quality flower, oil and extract products under our recognized Spectrum Therapeutics and Canopy Medical brands, as well as our Storz & Bickel line of medically approved vaporizers in Australia;
- **Storz & Bickel** - includes the production, distribution and sale of vaporizers and accessories; and
- **This Works** - includes the production, distribution and sale of beauty, skincare, wellness and sleep products, some of which have been blended with hemp-derived CBD isolate. On December 18, 2023, the Company completed the sale of This Works and as of such date, the results of This Works are no longer included in the Company's financial results.

These segments reflect how the Company's operations are managed, how the Company's Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"), allocates resources and evaluates performance, and how the Company's internal management financial reporting is structured. The Company's CODM evaluates the performance of these segments, with a focus on (i) segment net revenue, and (ii) segment gross margin as the measure of segment profit or loss. Accordingly, information regarding segment net revenue and segment gross margin for the comparative periods has been restated to reflect the aforementioned change in reportable segments. The remainder of the Company's operations include revenue derived from, and cost of sales associated with, the Company's non-cannabis extraction activities and other ancillary activities; these are included within "other".

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

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Segmented net revenue			
Canada cannabis	\$ 153,716	\$ 187,067	\$ 257,910
International markets cannabis	41,312	38,949	79,306
Storz & Bickel	70,670	64,845	85,410
This Works	21,256	26,029	32,296
Other	10,192	16,363	20,777
	<u>\$ 297,146</u>	<u>\$ 333,253</u>	<u>\$ 475,699</u>
Segmented gross margin:			
Canada cannabis	\$ 24,896	\$ (95,291)	\$ (212,820)
International markets cannabis	16,682	(3,322)	(28,875)
Storz & Bickel	30,128	26,112	37,284
This Works	10,534	10,205	14,800
Other	(1,358)	(1,233)	2,197
	<u>80,882</u>	<u>(63,529)</u>	<u>(187,414)</u>
Selling, general and administrative expenses	229,429	342,517	415,445
Share-based compensation	14,180	25,322	46,686
Loss on asset impairment and restructuring	65,987	2,199,146	369,254
Operating loss	(228,714)	(2,630,514)	(1,018,799)
Loss from equity method investments	-	-	(100)
Other income (expense), net	(242,641)	(455,644)	751,041
Loss before incomes taxes	<u>\$ (471,355)</u>	<u>\$ (3,086,158)</u>	<u>\$ (267,858)</u>

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

Entity-wide disclosures

Disaggregation of net revenue by geographic area:

	Years ended		
	March 31, 2024	March 31, 2023	March 31, 2022
Canada	\$ 162,712	\$ 201,417	\$ 268,348
Germany	52,194	48,701	90,874
United States	40,988	36,431	65,475
Other	41,252	46,704	51,002
	<u>\$ 297,146</u>	<u>\$ 333,253</u>	<u>\$ 475,699</u>

Disaggregation of long-lived tangible assets by geographic area:

	March 31, 2024	March 31, 2023
Canada	\$ 266,086	\$ 361,129
United States	3,471	58,226
Germany	50,527	51,341
Other	19	575
	<u>\$ 320,103</u>	<u>\$ 471,271</u>

For the year ended March 31, 2024, one customer represented more than 10% of the Company's net revenue (years ended March 31, 2023 and 2022, one and one, respectively).

36. SUBSEQUENT EVENTS

CBI Exchangeable Shares

On April 18, 2024, Greenstar and CBG exchanged all 17,149,925 common shares in the capital of the Company they collectively held for 17,149,925 Exchangeable Shares for no consideration (the “CBI Exchange”). As a result of the CBI Exchange, the CBI Group no longer holds any Canopy Growth common shares and certain other transactions between Canopy Growth and the CBI Group occurred pursuant to the Third Consent Agreement, including (i) the Amended Investor Rights Agreement, administrative services agreement, co-development agreement and, other than the Third Consent Agreement and the termination rights contained therein, and any and all other commercial arrangements between Canopy Growth and its affiliates, on the one hand, and the CBI Group and its affiliates, on the other hand, have been terminated; (ii) the CBI Group no longer has the right to nominate persons to the Board, no longer has any approval rights over transactions proposed to be undertaken by the Company, and the restrictive covenants previously agreed between the parties have been terminated; and (iii) all of the CBI Group’s nominees that were serving on the Board immediately prior to the CBI Exchange resigned. On April 18, 2024, Canopy Growth also entered into an exchange agreement (the “CBI Exchange Agreement”) with Greenstar, pursuant to which Greenstar converted approximately \$81.2 million of the principal amount of the CBI Note into 9,111,549 Exchangeable Shares (the “Note Exchange”), calculated based on a price per Exchangeable Share equal to \$8.91. Pursuant to the terms of the CBI Exchange Agreement, all accrued but unpaid interest on the CBI Note together with the remaining principal amount of the CBI Note was cancelled and forgiven for no additional consideration by Greenstar. Following the closing of the Note Exchange, the CBI Note was cancelled. As a result of the CBI Exchange and Note Exchange, CBG and Greenstar now hold an aggregate of 26,261,474 Exchangeable Shares.

Supreme Debt Exchange

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 \$27.5 million aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures held by the May 2024 Investor and paid the Company approximately US\$50 million 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 (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 Share at an exercise price equal to \$16.18 per Canopy 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 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 Exchange and Subscription Agreement granted the May 2024 Investor, for a period of four months from the Closing Date (the “Agreement ROFR Term”), a right of first refusal to subscribe for, and to be issued, as the sole investor in any proposed non-brokered private placement that the Company wishes to complete during the ROFR Term (the “Proposed Private Placement”); provided, however, that the May 2024 Investor shall subscribe for 100% of the Proposed Private Placement on the same terms and conditions contemplated in the Proposed Private Placement.

The May 2024 Convertible Debenture is convertible into Canopy 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 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.

In connection with the Transaction, the Company entered into a registration rights agreement with the May 2024 Investor, pursuant to which the Company agreed to file a registration statement with the SEC to register for resale the Canopy Shares underlying the May 2024 Convertible Debenture and May 2024 Investor Warrants as soon as reasonably practicable following the filing by the Company of this Annual Report on Form 10-K, but in no event later than 45 days after the Closing Date.