

CANOPY GROWTH CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2026

JUNE 15, 2026

This document (this “MD&A”) contains information under the heading “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” which has been excerpted from our Annual Report on Form 10-K for the year ended March 31, 2025 (the “Annual Report”) filed concurrently with this MD&A on the date hereof on our profile on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. This MD&A should be read in conjunction with our Annual Report, including the consolidated financial statements and the related notes thereto included in Item 8, as well as Part I, and Item 1 “Business”, Part I, Item 1A “Risk Factors”, and incorporates by reference herein Item 1A “Risk Factors” from

Special Note Regarding Forward-Looking Statements; Risk Factor Summary

This Comprehensive Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and other applicable securities laws, which involve certain known and unknown risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and the performance of our investments. These forward-looking statements are generally identified by their use of such terms and phrases as “intend,” “goal,” “strategy,” “estimate,” “expect,” “project,” “projections,” “forecasts,” “plans,” “seeks,” “anticipates,” “potential,” “proposed,” “will,” “should,” “could,” “would,” “may,” “likely,” “designed to,” “foreseeable future,” “believe,” “scheduled” and other similar expressions. Our actual results or outcomes may differ materially from those anticipated. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made.

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

- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to cannabis and hemp (including CBD) products and the scope of any regulations by the U.S. Food and Drug Administration (the “FDA”), the U.S. Drug Enforcement Administration (the “DEA”), the U.S. Federal Trade Commission (the “FTC”), the U.S. Patent and Trademark Office, the U.S. Department of Agriculture (the “USDA”) and any state equivalent regulatory agencies over cannabis and hemp (including CBD) products;
- expectations regarding the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;
- our ability to refinance debt as and when required on terms favorable to us and comply with covenants contained in our debt facilities and debt instruments;
- the impacts of the Company’s strategy to accelerate entry into the U.S. cannabis market through the creation of Canopy USA, LLC (“Canopy USA”);
- expectations for Canopy USA to capitalize on the opportunity for growth in the United States cannabis sector and the anticipated benefits of such strategy;
- the timing and occurrence of the final tranche closing in connection with the acquisition of Lemurian, Inc. (“Jetty”) by Canopy USA pursuant to the exercise of the options to acquire Jetty;
- the issuance of additional common shares of the Company (each whole share, a “Canopy Share” or a “Share”) to satisfy any deferred and/or option exercise payments to the shareholders of Wana (as defined below) and Jetty and the issuance of additional Non-Voting Shares (as defined below) issuable to Canopy Growth from Canopy USA in consideration thereof;
- the acquisition of additional Canopy USA Common Shares (as defined below) in connection with the Trust Transaction (as defined below), including any warrants of Canopy USA issued to the Trust (as defined below) in accordance with the Trust SPA (as defined below);
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, equity investments and dispositions, including our acquisition of MTL (as defined below);
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- our remediation plan and our ability to remediate the material weakness in our internal control over financial reporting;
- expectations regarding the use of proceeds of equity financings;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- the impact of the implementation of the rescheduling of medical cannabis from Schedule I controlled substance under the CSA (as defined below) to a Schedule III controlled substance;

- our ability to execute on our strategy and the anticipated benefits of such strategy;
- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the ongoing impact of developing provincial, state, territorial and municipal regulations pertaining to the sale and distribution of cannabis, the related timing and impact thereof, as well as the restrictions on federally regulated cannabis producers participating in certain retail markets and our intentions to participate in such markets to the extent permissible;
- the timing and nature of legislative changes in the U.S. regarding the regulation of cannabis including tetrahydrocannabinol (“THC”);
- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- expectations with respect to our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- the effects of tariffs and related retaliatory measures, the levels of inflation, interest rates and trade policy and risks relating to the evolving regulatory landscape in the United States, on our costs and our margins;
- the effects of the conflict in the Middle East and its impact on global commerce and shipping supply chains and potential shipping delays;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- our future product offerings;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network;
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements;
- our ability to comply with the listing requirements of the Nasdaq Stock Market LLC (“Nasdaq”) and the Toronto Stock Exchange (“TSX”); and
- expectations on price changes for products in cannabis markets.

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

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

By their nature, forward-looking statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that

assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the forward-looking statements in this Comprehensive Form 10-K and other reports we file with, or furnish to, the Securities and Exchange Commission (the “SEC”) and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, risks related to our ability to remediate the material weakness identified in our internal control over financial reporting as of March 31, 2026, or inability to otherwise maintain an effective system of internal control; the risk that the restatement of the Prior Financial Statements could negatively affect investor confidence and raise reputation risks; our limited operating history; risks that we may be required to write down intangible assets, including goodwill, due to impairment; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); the diversion of management time on matters related to Canopy USA; the risks that the Trust’s future ownership interest in Canopy USA is not quantifiable, and the Trust may have significant ownership and influence over Canopy USA; the risks in the event that Acreage Holdings, Inc. (“Acreage”) and Wana cannot satisfy their debt obligations as they become due; volatility in and/or degradation of general economic, market, industry or business conditions; risks relating to the overall macroeconomic environment, which may impact customer spending, our costs and our margins, including tariffs (and related retaliatory measures), the levels of inflation, interest rates and trade policy; risks relating to the evolving regulatory landscape in the United States; risks relating to our current and future operations in emerging markets; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis products in vaping devices; risks and uncertainty regarding future product development; changes in regulatory requirements in relation to our business and products; our reliance on licenses issued by and contractual arrangements with various federal, state and provincial governmental authorities; inherent uncertainty associated with projections; future levels of revenues and the impact of increasing levels of competition; third-party manufacturing risks; third-party transportation risks; our exposure to risks related to an agricultural business, including wholesale price volatility and variable product quality; changes in laws, regulations and guidelines and our compliance with such laws, regulations and guidelines; risks relating to inventory write downs; risks relating to our ability to refinance debt as and when required on terms favorable to us and to comply with covenants contained in our debt facilities and debt instruments; risks associated with jointly owned investments; our ability to manage disruptions in credit markets or changes to our credit ratings; the success or timing of completion of ongoing or anticipated capital or maintenance projects; risks related to the integration of acquired businesses; the timing and manner of the legalization of cannabis in the United States; business strategies, growth opportunities and expected investment; counterparty risks and liquidity risks that may impact our ability to obtain loans and other credit facilities on favorable terms; the potential effects of judicial, regulatory or other proceedings, litigation or threatened litigation or proceedings, or reviews or investigations, on our business, financial condition, results of operations and cash flows; risks associated with divestment and restructuring; the anticipated effects of actions of third parties such as competitors, activist investors or federal, state, provincial, territorial or local regulatory authorities, self-regulatory organizations, plaintiffs in litigation or persons threatening litigation; consumer demand for cannabis products; the implementation and effectiveness of key personnel changes; risks related to stock exchange restrictions; risks related to the protection and enforcement of our intellectual property rights; the risks related to our exchangeable shares (the “Exchangeable Shares”) having different rights from the Canopy Shares and there may never be a trading market for the Exchangeable Shares; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; risks related to finalization of the consideration payable by us for the acquisition by Canopy USA of the remaining interests in Jetty; and the factors discussed under the heading “Risk Factors” in this Comprehensive Form 10-K. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

Forward-looking statements are provided for the purposes of assisting the reader in understanding our financial performance, financial position, and cash flows as of and for periods ended on certain dates and to present information about management’s current expectations and plans relating to the future, and the reader is cautioned that the forward-looking statements may not be appropriate for any other purpose. While we believe that the assumptions and expectations reflected in the forward-looking statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-looking statements are made as of the date they are made and are based on the beliefs, estimates, expectations, and opinions of management on that date. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by law. The forward-looking statements contained in this Comprehensive Form 10-K and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees, and other persons authorized to speak on our behalf are expressly qualified in their entirety by these cautionary statements.

Risk Factor Summary

- We may not be able to achieve or maintain profitability and may continue to incur losses in the future.
- We are in the early stages of developing global infrastructure in a new industry and therefore we are subject to many risks common in developing companies.

- In the past, we have identified conditions and events that raised substantial doubt about our ability to continue as a going concern and it is possible that we may identify conditions and events in the future that raise substantial doubt about our ability to continue as a going concern.
- We have been and may in the future be required to write down intangible assets, including goodwill, due to impairment.
- The anticipated benefits of the strategy involving Canopy USA may not be realized and the fair value of our equity method investment in Canopy USA is volatile.
- There is limited long-term data with respect to the efficacy, side effects and safety of our products; and our products have been and may be in the future subject to recalls.
- We are subject to extensive regulation and licensing and may not successfully comply with all applicable laws and regulations.
- The production and distribution of our products are subject to disruption, the risks of an agricultural business and the risk that third party suppliers and distributors may not perform their obligations to us.
- Our businesses face highly competitive conditions.
- We have concluded that certain of our previously issued financial statements should not be relied upon and have restated certain of our previously issued financial statements which was time-consuming and expensive and could expose us to additional risks that could have a negative effect on us.
- We have identified a material weakness in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, which may adversely affect investor confidence in our company and, as a result, the value of the Canopy Shares.
- Failure to establish and maintain effective internal control over financial reporting may result in us not being able to accurately report our financial results, which could result in a loss of investor confidence and adversely affect the market price of the Canopy Shares.
- As a result of self-reporting the BioSteel Review (as defined below), the Company is the subject of a regulatory investigation and inquiry in connection with the BioSteel Review, and it cannot predict the timing of developments, and any adverse outcome of these continuing matters could have a material adverse effect on the Company.
- The price of the Canopy Shares has been and may continue to be highly volatile.
- We are subject to other risks generally applicable to our industry and the conduct of our businesses.
- There can be no assurance that our current and future acquisitions, including our most recent acquisition of MTL, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.
- In the event Acreage or Wana, as guarantor, cannot satisfy the debt obligations as they become due, the Acreage and Wana Debt (as defined below) may not be repaid and the Company may lose the entirety of its investment in the Acreage and Wana Debt, and, in the event Acreage or Wana are unable to continue as a going concern, which may occur in the event that the ARCA Lender (as defined below) enforces its security over the Acreage and Wana Debt, there would be a negative impact on Canopy USA's business, financial results and operations and have an adverse impact on the Company's U.S. strategy, and, potentially, negatively affect the share price of the Canopy Shares.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

This Management’s Discussion and Analysis of our financial condition and results of operations (“MD&A”), which should be read in conjunction with our consolidated financial statements and the notes thereto included in Item 8 of this Comprehensive Form 10-K (the “Financial Statements”), provides additional information on our business, current developments, financial condition, cash flows and results of operations. The discussion in this section has been impacted by the restatement described in the Explanatory Note at the beginning of this Comprehensive Form 10-K and in Note 2 and Note 35 of the consolidated financial statements of this Comprehensive Form 10-K. Certain of the financial and other information provided in this MD&A has been updated to reflect the restatement adjustments.

Our MD&A is organized as follows:

- *Part 1 - Business Overview.* This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.
- *Part 2 - Results of Operations.* This section provides an analysis of our results of operations for (1) fiscal 2026 in comparison to fiscal 2025; (2) fiscal 2025 in comparison to fiscal 2024; (3) the quarterly period ended September 30, 2023 in comparison to September 30, 2022; (4) the quarterly period ended December 31, 2023 in comparison to December 31, 2022; (5) the quarterly period ended June 30, 2024 in comparison to June 30, 2023; (6) the quarterly period ended September 30, 2024 in comparison to September 30, 2023; (7) the quarterly period ended December 31, 2024 in comparison to December 31, 2023; (8) the quarterly period ended June 30, 2025 in comparison to June 30, 2024; (9) the quarterly period ended September 30, 2025 in comparison to September 30, 2024; and (10) the quarterly period ended December 31, 2025 in comparison to December 31, 2024.
- *Part 3 - Financial Liquidity and Capital Resources.* This section provides an analysis of our cash flows and outstanding debt and commitments for fiscal 2026. Included in this analysis is a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments.
- *Part 4 - Critical Accounting Policies and Estimates.* This section identifies those accounting policies that are considered important to our results of operations and financial condition, require significant judgment and involve significant management estimates. Our significant accounting policies, including those considered to be critical accounting policies, are summarized in Note 3 of the Financial Statements.

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

In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those in this discussion as a result of various factors, including but not limited to those discussed in Part 1, Item 1A, “Risk Factors” in this Comprehensive Form 10-K.

Part 1 - Business Overview

We are here to better lives through cannabis.

We believe in the power of a plant – not as a trend or commodity, but as a catalyst for elevating human potential. For the patient seeking to function more fully in their everyday lives, the veteran finding relief, and the individual rediscovering balance, clarity, and purpose. We believe that, with responsible enjoyment, cannabis can enrich experiences, deepen connection, and enhance well-being.

Cannabis is a global economic force in the making. We believe it will stand alongside – and eventually rival – the largest consumer packaged goods industries in the world. The companies that lead will not be those who move fastest, but those who are principled, disciplined, and focused on the consumer.

Guided by these beliefs, we choose to lead the industry. We are making decisions for the long term, creating standards others will follow, and earning trust every day – with every product, interaction, and every commitment kept.

We are building a global, consumer-centric company with a clear and uncompromising ambition: to lead the world in bettering lives through cannabis. A company with brands and category-defining products that can scale globally, grounded in superior flower cultivation, driven by innovation across formats and technologies, and consistently delighting consumers. A company driven by

focused and disciplined operators, relentless in execution, strategic prioritization, and financial performance. Our foundation is built on four enduring values:

- **Leadership.** We courageously set the standard for what this industry can and should be.
- **Excellence.** We pursue uncompromising quality in everything we do – from cultivation to consumer experience.
- **Trust.** We earn it through consistency, transparency, and integrity.
- **Innovation.** We challenge assumptions and seek to unlock the full potential of cannabis as a plant and category.

Together, these values shape how we operate and create value, and how we better the lives of our people, and everyone we serve.

The full potential of cannabis is just beginning to be unlocked – and we intend to lead that future.

Our cannabis products are principally sold for adult-use and medical purposes under a portfolio of distinct brands. Our core operations are in Canada, Europe and Australia and we hold a significant non-controlling, non-voting interest in an entity that participates in the sale of cannabis and hemp derived products in the United States.

Today, we are a leader in the medical as well as adult use cannabis market in Canada where we offer a broad portfolio of brands and products and continue to expand our portfolio to include new innovative cannabis products and formats. We produce, distribute, and sell a diverse range of cannabis and cannabis-related products for adult-use and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, SC 2018, c 16 (the “*Cannabis Act*”), and globally pursuant to applicable legislation, regulations, and permits. Our curated cannabis product formats include dried flower, pre-rolled joints (“PRJ”), oil, softgel capsules, edibles including gummies, vapes and beverages, as well as a wide range of cannabis accessories including our premier herbal vaporizer devices Storz & Bickel® (collectively with Storz & Bickel GmbH, “Storz & Bickel”).

Segment Reporting

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

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

These segments reflect how our operations are managed, how our Chief Executive Officer, who is the Chief Operating Decision Maker (“CODM”), allocates resources and evaluates performance, and how our internal management financial reporting is structured. Our CODM evaluates the performance of these segments, with a focus on (i) segment net revenue, and (ii) segment gross margin as the measure of segment profit or loss. Accordingly, information regarding segment net revenue and segment gross margin for the comparative periods have been restated to reflect the aforementioned change in reportable segments.

Factors Impacting our Business

To achieve our vision, our strategy consists of six pillars:

We are and expect to continue to be Canada’s #1 medical cannabis provider by revenue - We are committed to the high-quality production of medical cannabis products and are equally committed to helping medical professionals confidently prescribe and patients to responsibly use our products. As the leaders in providers of medical cannabis to patients in Canada, our award winning network of clinics allows us to serve patients nationwide across the Apollo, Canada House and Abba Medix banners. We provide services that ensure the patient comes first by providing quick access to medical care to start their cannabis journey or helping medical cannabis patients seek reimbursement for their medicines. We are strong advocates for our patients and consistently seek to deliver products that are responsive to their needs.

Leadership of global vaporization through Storz & Bickel - Vaporization is a consumption method that aligns with the desires of many of our medical cannabis patients and adult-use consumers. With an already extensive product portfolio, our focus is to continue to push for more impactful product innovations that allow for the expansion of new product formats. Like our cannabis, these devices are crafted with the same attention to quality, performance and safety and undergo rigorous manufacturing procedures and certification. While already internationally established, Storz & Bickel is focused on addressing consumer needs in the North American market and intends to continue to deliver its award-winning products to a broader audience.

Focused growth in international medical cannabis market - Our unwavering commitment to the safety and effectiveness of our products is a critical strategic imperative which also helps differentiate us in the growing cannabis market. We deliver medical

cannabis to patients in Germany, Poland, and Australia and expect to do so in the United Kingdom over the coming fiscal year. To remain successful, we consistently strive to make significant investments in our operations within Canada and Europe and we are well-positioned to pursue international growth opportunities with our strong medical cannabis brands and distribution networks. We intend to fuel the continued demand for our European Union Good Manufacturing Practices (“EU-GMP”) certified medical grade cannabis internationally with supply from within Europe and from our Canadian EU-GMP certified facility in Kincardine, Ontario. In addition, we will continue to maximize our existing routes to market to further our execution on our international growth plans, while leveraging our cannabis expertise and well-established medical brands.

Focusing on profitable scale in adult-use cannabis through our powerhouse brands backed by exceptional product quality - The heart of our business is in North America with our roots in Canada and investments in the U.S. Our brand portfolio includes Tweed, Claybourne™, HiWay, 7ACRES, Twd., Wana, DOJA, DeeLish, MTL Cannabis, LowKey, R'belle, and Deep Space in our Canadian adult-use market. As markets continue to evolve, we believe the role of brands will become more prominent in consumers’ desire for trustworthy products that deliver quality and consistency of experience. We are investing in our brands to further our position of leadership in the market and to continually strengthen their relationship with consumers. We understand that the success of our products and brands is only achievable with the support and buy-in of customers. As consumer needs and trends evolve, we are continuing to focus our efforts on product categories with the highest and most tangible profit opportunities that also align to customer needs and consumer desires. At the same time, we are significantly optimizing our wholesale capabilities to ensure that our products have the broadest distribution in our highest profit geographies.

Leveraging our disciplined “asset-right” model to build world class cultivation and to power our growth - As the cannabis market continues to rapidly evolve, we remain focused on driving efficiency for the greatest return on asset investments. With our acquisition of MTL completed in fiscal 2026, we have access to world leading genetics and talent that will shape our cultivation practices. Our objective is to excel at our own internal manufacturing capabilities by making selective investments in assets that will accelerate returns and secure long-term sustainable profitability. This means we will invest where necessary and continue to leverage local and/or regional suppliers for raw materials to complement our owned operations. We continually and consistently seek to optimize our operating footprint in order to achieve profitability and foster growth while retaining a steadfast commitment to the quality of our products and the integrity of our global supply chain.

Unparalleled exposure to the expanding U.S. cannabis market - Unlike other cannabis businesses, our investment in Canopy USA provides a unique opportunity to maximize the value of our previously-held conditional U.S. THC investments. We have an unconsolidated and non-controlling interest in Canopy USA which is, and is expected to continue to be, accounted for as an equity method (fair value) investment until such time as both the NASDAQ Stock Market and The New York Stock Exchange permit the listing of companies that consolidate the financial statements of entities that cultivate, distribute or possess marijuana (as defined in 21 U.S.C 802) in the United States for non-medicinal purposes (the “Stock Exchange Permissibility Date”). Canopy USA continues to explore brand opportunities to continue building a foundation for us to participate indirectly in the world’s largest and fastest growing cannabis market and to offer our shareholders unique exposure to this market’s growth. See “Risk Factors – Our expansion plans into the United States rely upon the continued operations and success of Canopy USA and its subsidiaries and the anticipated benefits of the strategy involving Canopy USA is uncertain and may not be realized; and the fair value of our equity method investment in Canopy USA is volatile” under Item 1A of this Comprehensive Form 10-K.

Recent Developments

August 2025 ATM Program

On August 29, 2025, we established a new at-the-market equity program (the “August 2025 ATM Program”) that allows us to issue and sell up to US\$200 million of Canopy Shares to the public from time to time at our discretion in concurrent public offerings in the United States (the “U.S. Offering”) and Canada; provided, however, that (i) sales of Canopy Shares in the August 2025 ATM Program in Canada is limited to aggregate gross sales proceeds to us of up to US\$50 million (or its Canadian dollar equivalent) (the “Canadian Offering”); and (ii) in no event will the combined gross sales proceeds of the August 2025 ATM Program in the United States and Canada exceed US\$200 million. The Company established the August 2025 ATM Program pursuant to an equity distribution agreement (the “August 2025 Equity Distribution Agreement”) entered into among us and BMO Nesbitt Burns Inc., as Canadian agent, and BMO Capital Markets Corp., as U.S. agent (together, the “Agents”).

The August 2025 ATM Program will be effective until the earlier of (A) June 5, 2027; (B) the issuance and sale of Canopy Shares having an aggregate offering price of US\$200 million on the terms and subject to the conditions set forth in the August 2025 Equity Distribution Agreement; (C) the date on which the Company’s registration statement, as amended (the “Registration Statement”), filed with the Securities and Exchange Commission (the “SEC”) has ceased to be useable for sales of Shelf Securities (as defined in the August 2025 Equity Distribution Agreement) pursuant to General Instruction I.B.1 of Form S-3; (D) the date on which the Company receives notice from the SEC that the Registration Statement has ceased to be effective; and (E) the date on which the August 2025 Equity Distribution Agreement is terminated by the parties. Notwithstanding the foregoing, the Canadian Offering will automatically terminate on the earlier of (i) July 5, 2026; (ii) the date on which the issuance and sale of common shares in the Canadian Offering equals US\$50 million (or its Canadian dollar equivalent); (iii) the date on which the Company receives notice from

the Ontario Securities Commission that the Company's Canadian short form base shelf prospectus dated June 5, 2024 has ceased to be effective; or (iv) the date on which the August 2025 Equity Distribution Agreement is terminated pursuant to clauses (A) through (E) above; provided, however, that a termination of the Canadian Offering as contemplated by clauses (i), (ii) and (iii) above will in no case affect the U.S. Offering and the August 2025 Equity Distribution Agreement will continue in full force and effect with respect to the U.S. Offering. The August 2025 Equity Distribution Agreement replaced the equity distribution agreement dated February 28, 2025, as amended, among us and the Agents that established our prior at-the-market equity program (the "February 2025 ATM Program").

During the fiscal year ended March 31, 2026, we sold 56,206,101 Canopy Shares for gross proceeds of approximately \$135.8 million (US\$98.0 million) under the August 2025 ATM Program.

Credit Facility Prepayments

On July 29, 2025, we entered into an agreement (the "Third Paydown Agreement") with certain lenders under the Credit Facility (as defined below). Pursuant to the Third Paydown Agreement, we were required to make the following prepayments: (i) US\$25 million at par on or prior to July 31, 2025; (ii) US\$10 million at par on or prior to December 31, 2025; and (iii) US\$15 million at par on or prior to March 31, 2026. On July 31, 2025, we made the first of the three prepayments required under the Third Paydown Agreement, which resulted in an aggregate principal reduction of US\$25 million under our Credit Facility (the "First Prepayment"). On September 12, 2025, we made an early prepayment of US\$25 million at par (the "Early Prepayment") to reduce the outstanding principal balance of the Credit Facility. The Early Prepayment satisfies the remainder of our prepayment obligations associated with the Third Paydown Agreement.

In connection with the Loan Transaction (as defined below), a portion of the net proceeds from the Loans (as defined below) was used to repay all outstanding amounts owing under the Credit Facility.

Loan Agreement

On January 8, 2026, we entered into a loan and guaranty agreement (the "Loan Agreement"), by and among us, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, the parties identified therein as lenders (the "Lenders"), and JGB Collateral LLC, as administrative and collateral agent ("JGB"), pursuant to which, among other things, the Lenders advanced US\$150 million in cash pursuant to a senior secured term loan in the aggregate principal amount of approximately US\$162.1 million (collectively, the "Loans" and such transaction, the "Loan Transaction"). The Loans were funded on January 8, 2026 (the "Loan Closing Date") with an original issue discount of approximately US\$12.1 million. The Loans mature on the earlier of (i) January 31, 2031, and (ii) the date that is 120 days prior to the maturity date of the January 2026 Convertible Debentures (as defined below).

The outstanding principal amount of the Loans bear interest at an annual rate equal to the applicable Term SOFR rate (subject to a minimum floor of 3.25%) plus 6.25%. Interest on the Loans will be paid monthly in arrears in cash. Following the first anniversary of the first interest payment date, each Lender will have the option to require the borrowers to repay such Lender its pro rata share of up to US\$3 million of principal per calendar month on each payment date thereafter. Prepayment and repayment of the Loans will be subject to (i) an interest make-whole equal to 12 monthly interest payments less any payments made by the borrowers on account of interest prior to the date of such prepayment for any prepayments or repayments made during the first year of the Loans and (ii) an exit fee equal to approximately US\$6.5 million, provided that, with respect to any partial prepayment or repayment of the Loans, only the pro rata portion of such exit fee will be payable at the time of each such partial payment. The Loans and obligations under the Loan Agreement and other related loan documents are secured by substantially all of the assets of the Company and each of its material subsidiaries.

The Loan Agreement also includes certain prepayment fees, a minimum unrestricted cash requirement of the lesser of US\$90 million or the outstanding principal amount of the Loans, and various other representations, warranties, covenants and events of default customary for a financing of this nature.

In connection with the Loan Agreement, on the Loan Closing Date, we issued 18,705,578 common share purchase warrants of the Company (the "Loan Warrants") to the Lenders in accordance with each Lender's pro rata share of the Loans. Each Loan Warrant entitles the holder thereof to acquire one Canopy Share at an exercise price equal to US\$1.30 per Canopy Share for a period of five years from the Loan Closing Date.

A portion of the net proceeds from the Loans was used to repay all outstanding amounts owing under the Credit Facility. On June 15, 2026, the Company amended the Loan Agreement pursuant to a first amendment to loan and guaranty agreement (the "Amendment"), by and among the Company, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, certain lenders party thereto, and JGB. Pursuant to the Amendment, the Lenders have, among other things, restricted (the "Exchange Restriction") the Company's and certain of its subsidiaries' ability to exchange any non-voting and non-participating shares in the capital of Canopy USA, LLC ("Canopy USA") into Class B shares of Canopy USA at any time prior to the Stock Exchange Permissibility Date.

2026 Exchange Agreement

On January 7, 2026, we entered into an exchange agreement (the “Exchange Agreement”) with the May 2024 Investor (as defined below) pursuant to which, among other things, on January 8, 2026 (the “Exchange Closing Date”), the May 2024 Investor delivered to us the May 2024 Convertible Debenture (as defined below) held by the May 2024 Investor in exchange for (A) the Company issuing to the May 2024 Investor (i) new senior unsecured convertible debentures of the Company with an aggregate principal amount of \$55.0 million maturing on July 8, 2031 (the “January 2026 Convertible Debentures”), (ii) 12,731,481 common share purchase warrants of the Company (the “January 2026 Investor Warrants”), and (iii) 9,493,670 Canopy Shares (the “Exchange Shares”) and (B) a \$10.5 million cash payment from the Company (collectively, the “Exchange Transaction”).

Each January 2026 Investor Warrant entitles the holder to acquire one Canopy Share at an exercise price equal to \$2.16 per Canopy Share until January 8, 2031. The January 2026 Convertible Debentures bear interest at a rate of 7.50% per annum, payable in semi-annual payments in cash, and are convertible, at the option of the May 2024 Investor, into Canopy Shares at a conversion price equal to \$1.83 per Canopy Share.

The January 2026 Convertible Debentures are 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 \$2.75 for a period of 10 consecutive trading days.

Acquisition of MTL

On December 14, 2025, we entered into an arrangement agreement, as amended on January 6, 2026 with MTL, pursuant to which, among other things, we agreed to acquire all of the issued and outstanding common shares (the “MTL Shares”) in the capital of MTL Cannabis Corp. (“MTL”) in accordance with a plan of arrangement under the Canada Business Corporations Act (the “MTL Arrangement”). Pursuant to the terms of the MTL Arrangement, shareholders of MTL received 0.32 of a Canopy Share and \$0.144 in cash (the “Cash Consideration”) for each MTL Share held immediately prior to the closing of the MTL Arrangement.

In connection with the MTL Arrangement:

- each outstanding warrant to purchase MTL Shares that was out-of-the-money (each, a “MTL Warrant”) was exchanged for a replacement warrant (a “Replacement Warrant”) to acquire from Canopy Growth the number of Canopy Shares as is equal to (a) the number of MTL Shares issuable on the exercise of such MTL Warrant immediately prior to the effective time of the MTL Arrangement (the “Effective Time”), multiplied by (b) 0.32. The exercise price per Canopy Share subject to any such Replacement Warrants is equal to the price per Canopy Share that was otherwise payable to acquire a MTL Share pursuant to the MTL Warrant it replaced less an amount equal to the Cash Consideration;
- each outstanding option to purchase MTL Shares that was out-of-the-money (each, a “MTL Option”) was exchanged for a replacement option (a “Replacement Option”) to acquire from Canopy Growth the number of Canopy Shares as is equal to (a) the number of MTL Shares issuable on exercise of such MTL Option immediately prior to the Effective Time, multiplied by (b) 0.32. The exercise price per Canopy Share subject to any such Replacement Option is equal to the price per Canopy Share that was otherwise payable to acquire a MTL Share pursuant to the MTL Option it replaced less an amount equal to the Cash Consideration; and
- each outstanding compensation option (collectively, “MTL Compensation Options”) to purchase units of MTL (the “MTL Units”) was exchanged for a compensation option (a “Replacement Compensation Option”) to acquire from Canopy Growth the number of units (the “Canopy Units”) as is equal to (a) the number of MTL Units that were issuable on exercise of such MTL Compensation Option immediately prior to the Effective Time, multiplied by (b) 0.32. The exercise price per Canopy Unit subject to any such Replacement Compensation Option is equal to the price per Canopy Unit that was otherwise payable to acquire a MTL Unit pursuant to the MTL Compensation Option it replaced less an amount equal to the Cash Consideration. Each Canopy Unit is comprised of one Canopy Share and one half of one Canopy Growth warrant (each whole warrant, a “Canopy Unit Warrant”), with each Canopy Unit Warrant exercisable to acquire one Canopy Share until September 19, 2028 at an exercise price of C\$2.61 per Canopy Share, subject to adjustment in accordance with its terms.

On March 16, 2026, we completed the acquisition of MTL and now own 100% of the issued and outstanding MTL Shares.

In aggregate, upon closing of the transaction, we issued 41,232,337 Canopy Shares and made a cash payment of \$18.5 million pursuant to the MTL Arrangement as consideration to the shareholders of MTL for the MTL Shares. In addition, 2,956,391 Canopy Shares were issued under the MTL Arrangement to certain former shareholders (the “MC Shareholders”) of Montreal Cannabis Medical, Inc. (“MC”) in exchange for a release of all prior obligations owing to the former MC Shareholders in connection with MTL’s prior acquisition of MC. The Canopy Shares issued to the MC Shareholders are subject to an 18-month restriction on transfer. The Company also issued 7,446,919 Replacement Warrants, 160,000 Replacement Options and 70,515 Replacement Compensation Options.

Management Cease Trade Order

On May 15, 2026, the Company filed a press release as well as a material change report with the Canadian securities regulators and a Current Report on Form 8-K with the SEC pursuant to which the Company announced that it identified that its (i) audited consolidated financial statements for the fiscal year ended March 31, 2024, included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (the "2024 10-K"), (ii) audited consolidated financial statements for the fiscal year ended March 31, 2025, included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2025 (the "2025 10-K"); and (iii) unaudited consolidated financial statements for the quarterly periods ended September 30, 2023, December 31, 2023, June 30, 2024, September 30, 2024, December 31, 2024, June 30, 2025, September 30, 2025, and December 31, 2025, included in the Company's Quarterly Reports on Form 10-Q for such quarterly periods (together with the 2024 10-K and the 2025 10-K, the "Prior Financial Statements") should no longer be relied upon because of a technical non-cash accounting error relating to the classification of certain share-settled warrants of the Company with exercise prices denominated in U.S. dollars, first issued during the fiscal year ended March 31, 2024 (the "Identified Warrants"), contained in the Prior Financial Statements (the "Default"). Accordingly, the Company should have recorded these instruments as liabilities on its consolidated balance sheets and measured them at fair value at each reporting date, with changes in fair value recorded in the consolidated statements of operations and comprehensive loss. On May 28, 2026, the Ontario Securities Commission issued a management cease trade order against Luc Mongeau, the Company's Chief Executive Officer and Thomas Stewart, the Company's Chief Financial Officer as a result of the Default. The management cease trade order prohibits Mr. Mongeau and Mr. Stewart from trading in the securities of the Company until two full business days following the filing of this Comprehensive Form 10-K, following which the management cease trade order may be lifted.

Part 2 - Results of Operations

The results of operations presented below reports the financial performance of the continuing operations of Canopy Growth for the years ended March 31, 2026 and 2025 and for the quarterly periods ended September 30, 2023, December 31, 2023, June 30, 2024, September 30, 2024, December 31, 2024, June 30, 2025, September 30, 2025, and December 31, 2025.

Discussion of Fiscal 2026 Results of Operations

The following table presents selected consolidated financial information for the years ended March 31, 2026 and 2025:

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Year ended March 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2026</u>	<u>2025</u>		
		(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 284,603	\$ 268,995	\$ 15,608	6%
Gross margin percentage	24%	30%	-	(600) bps
Net loss from continuing operations	\$ (262,908)	\$ (514,901)	\$ 251,993	49%
Basic and diluted loss per share from continuing operations ¹	\$ (0.88)	\$ (4.79)	\$ 3.91	82%

¹ For the year ended March 31, 2026, the weighted average number of outstanding common shares, basic and diluted, totaled 298,043,044 (year ended March 31, 2025 - 107,553,729).

Net Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the years ended March 31, 2026 and 2025:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Year ended March 31,		\$ Change	% Change
	2026	2025		
Cannabis				
Canadian adult-use cannabis ¹	\$ 94,472	\$ 78,828	\$ 15,644	20%
Canadian medical cannabis ²	90,818	77,032	13,786	18%
International markets cannabis ³	28,654	30,866	(2,212)	(7%)
	<u>\$ 213,944</u>	<u>\$ 186,726</u>	<u>\$ 27,218</u>	<u>15%</u>
Storz & Bickel	<u>\$ 70,659</u>	<u>\$ 82,269</u>	<u>\$ (11,610)</u>	<u>(14%)</u>
Net revenue	<u>\$ 284,603</u>	<u>\$ 268,995</u>	<u>\$ 15,608</u>	<u>6%</u>

¹ Reflects excise taxes of \$51,856 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$3,885 for the year ended March 31, 2026 (year ended March 31, 2025 - excise taxes of \$36,442 and other revenue adjustments of \$4,166).

² Reflects excise taxes of \$10,368 for the year ended March 31, 2026 (year ended March 31, 2025 - \$8,532).

³ Reflects other revenue adjustments of \$1,222 for the year ended March 31, 2026 (year ended March 31, 2025 - \$100).

Net revenue was \$284.6 million in fiscal 2026, as compared to \$269.0 million in fiscal 2025.

Cannabis

Net revenue from our Cannabis segment was \$213.9 million in fiscal 2026, as compared to \$186.7 million in fiscal 2025.

Canadian adult-use cannabis net revenue was \$94.5 million in fiscal 2026, as compared to \$78.8 million in fiscal 2025. The year-over-year increase is primarily attributable to growth in infused PRJ offerings and new All-In-One vaporizers which launched in the first quarter of fiscal 2026, partially offset by declines in edibles and non-infused PRJs.

Canadian medical cannabis net revenue was \$90.8 million in fiscal 2026, as compared to \$77.0 million in fiscal 2025. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$28.7 million in fiscal 2026, as compared to \$30.9 million in fiscal 2025. The year-over-year decrease is primarily attributable to supply chain challenges in Europe in the first three quarters of the year, partially offset by strength in Europe during the last quarter of the fiscal year.

Storz & Bickel

Revenue from Storz & Bickel was \$70.7 million in fiscal 2026, as compared to \$82.3 million in fiscal 2025. The year-over-year decrease is primarily attributable to lapping strong sales in the prior year and continued consumer economic uncertainty, offset by our new product launch in September 2025.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the years ended March 31, 2026 and 2025:

<i>(in thousands of Canadian dollars except where indicated)</i>	Year ended March 31,		\$ Change	% Change
	2026	2025		
Net revenue	\$ 284,603	\$ 268,995	\$ 15,608	6%
Cost of goods sold	\$ 214,933	\$ 189,484	\$ 25,449	13%
Gross margin	69,670	79,511	(9,841)	(12%)
Gross margin percentage	24%	30%	-	(600) bps

Cost of goods sold was \$214.9 million in fiscal 2026, as compared to \$189.5 million in fiscal 2025. Our gross margin was \$69.7 million in fiscal 2026, or 24% of net revenue, as compared to a gross margin of \$79.5 million and gross margin percentage of 30% of net revenue in fiscal 2025.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the years ended March 31, 2026 and 2025:

<i>(in thousands of Canadian dollars except where indicated)</i>	Year ended March 31,		\$ Change	% Change
	2026	2025		
Cannabis segment				
Net revenue	\$ 213,944	\$ 186,726	\$ 27,218	15%
Cost of goods sold	167,852	137,731	30,121	22%
Gross margin	46,092	48,995	(2,903)	(6%)
Gross margin percentage	22%	26%		(400) bps
Storz & Bickel segment				
Revenue	\$ 70,659	\$ 82,269	\$ (11,610)	(14%)
Cost of goods sold	47,081	51,753	(4,672)	(9%)
Gross margin	23,578	30,516	(6,938)	(23%)
Gross margin percentage	33%	37%		(400) bps

Cannabis

Gross margin for our Cannabis segment was \$46.1 million in fiscal 2026, or 22% of net revenue, as compared to \$49.0 million in fiscal 2025, or 26% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower sales relating to international markets, higher inventory provisions, costs related to new product launches and a shift in both product and geographical mix.

Further impacting our Cannabis gross margin in fiscal 2026 are inventory charges of \$9.9 million relating primarily to our acquisition of MTL and \$0.8 million in flow-through of inventory step-up relating to our acquisition of MTL. The inventory charges resulted from a review of the overall Cannabis segment inventory levels after the acquisition of MTL.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$23.6 million in fiscal 2026, or 33% of net revenue, as compared to \$30.5 million in fiscal 2025, or 37% of net revenue. The year-over-year decrease in the gross margin percentage is primarily attributable to lower sales, increased tariffs on imports to the United States and shifts in geographic mix, partially offset by the fact prior year gross margins were depressed due to discounts provided to clear out remaining stock of previously discounted product and no significant discounts were provided on sales in the current period.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2026 and 2025:

<i>(in thousands of Canadian dollars)</i>	Year ended March 31,		\$ Change	% Change
	2026	2025		
Operating expenses				
General and administrative	\$ 55,579	\$ 65,060	\$ (9,481)	(15%)
Sales and marketing	63,080	60,852	2,228	4%
Acquisition, divestiture, and other costs	21,475	19,524	1,951	10%
Depreciation and amortization	19,850	24,190	(4,340)	(18%)
Selling, general and administrative expenses	159,984	169,626	(9,642)	(6%)
Share-based compensation	4,266	(4,205)	8,471	201%
Loss on asset impairment and restructuring	67,079	31,233	35,846	115%
Total operating expenses	\$ 231,329	\$ 196,654	\$ 34,675	18%

Selling, general and administrative expenses

Selling, general and administrative expenses were \$160.0 million in fiscal 2026, as compared to \$169.6 million in fiscal 2025.

General and administrative expense was \$55.6 million in fiscal 2026, as compared to \$65.1 million in fiscal 2025. The year-over-year decrease is primarily attributable to: (i) continued reductions in headcount; and (ii) lower third party costs, including insurance, professional fees and IT costs.

Sales and marketing expense was \$63.1 million in fiscal 2026, as compared to \$60.9 million in fiscal 2025. The year-over-year increase is primarily attributable to increased costs associated with: (i) customer acquisition costs; and (ii) royalties and other variable marketing costs. The increased costs were partially offset by continued reductions in headcount.

Acquisition-related costs were \$21.5 million in fiscal 2026, as compared to \$19.5 million in fiscal 2025. In fiscal 2026, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the following previously filed periods: (i) audited consolidated financial statements for the fiscal year ended March 31, 2022, originally included in our Annual Report on Form 10-K for such fiscal year, and (ii) unaudited consolidated financial statements for the quarterly periods ended June 30, 2022, September 30, 2022 and December 31, 2022, originally included in our Quarterly Reports on Form 10-Q for such quarterly periods (collectively, the “Prior Periods”);
- transaction costs associated with the acquisition of MTL;
- other non-recurring acquisition, divestiture and litigation costs and recoveries.

Comparatively, in fiscal 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods;
- the reorganization of Canopy USA;
- costs associated with the acquisition of certain outstanding debt of Acreage Holdings, Inc. (“Acreage”) by a wholly-owned subsidiary of the Company (the “Debt Acquisition”); and
- costs relating to the modification of the term loan credit agreement (the “Credit Agreement”) that occurred in August 2024.

Depreciation and amortization expense was \$19.9 million in fiscal 2026, as compared to \$24.2 million in fiscal 2025. The year-over-year decrease is primarily attributable to the reduction in new capital expenditures.

Share-based compensation

Share-based compensation was \$4.3 million in fiscal 2026, as compared to \$(4.2) million in fiscal 2025. The year-over-year increase is primarily attributable to the fact that the prior expense reversal was driven by the departure of our former CEO which resulted in a deemed modification of his existing share-based compensation and reversal of expensing associated with unvested tranches. Current year expensing increase was impacted by fiscal 2026 grants of 2.8 million options and 3.9 million restricted share units, offset by higher estimated forfeitures in the first and third quarters of fiscal 2026 due to departures of certain executives and lower expense due to reduced headcount.

Asset impairment and restructuring costs

Asset impairment and restructuring costs recorded in operating expenses were \$67.1 million in fiscal 2026, as compared to \$31.2 million in fiscal 2025.

Loss on asset impairment and restructuring recorded in fiscal 2026 is primarily related to the impairment of goodwill associated with the Storz & Bickel business and employee restructuring costs.

Comparatively, in fiscal 2025, the loss on asset impairment and restructuring was primarily related to the non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the exit agreement.

Other

The following table presents other income (expense), net, and income tax (expense) recovery for the years ended March 31, 2026 and 2025:

<i>(in thousands of Canadian dollars)</i>	Year ended March 31,		\$ Change	% Change
	2026	2025		
		(As Restated)		
Other income (expense), net	(101,226)	(390,617)	289,391	74%
Income tax expense	(23)	(7,141)	7,118	100%

Other income (expense), net

Other income (expense), net, was an expense amount of \$101.2 million in fiscal 2026, as compared to an expense amount of \$390.6 million in fiscal 2025. The year-over-year change of \$289.4 million, decrease in expense, is primarily attributable to:

- Decrease in non-cash expense of \$333.2 million related to fair value changes on our Canopy USA related and other financial assets, from an expense amount of \$400.2 million in fiscal 2025 to an expense amount of \$67.0 million in fiscal 2026. The fiscal 2026 expense amount is primarily attributable to fair value decreases relating to our investments in:
 - the Canopy Elevate I LLC, Canopy Elevate II LLC and Canopy Elevate III LLC (collectively, “Elevate”) loan receivable, the amounts owing under the third amended and restated credit agreement dated as of July 29, 2025 among a wholly-owned subsidiary of the Company, an arm’s length third-party lender, Acreage and the other parties named therein (the “Acreage and Wana Debt” and together with the Elevate loan receivable, the “Canopy USA Loans Receivable”), in the amount of \$76.1 million relating to fair value movements in consideration of the debtor’s net assets.

The fair value decrease was partially offset by a fair value increase related to our investment in:

- the Canopy USA LPs (as defined below) equity method investment in the amount of \$9.1 million.

Comparatively, the fiscal 2025 expense amount is primarily attributable to fair value decreases relating to our investments in:

- the Canopy USA and certain entities controlled by Canopy USA (the “Canopy USA LPs”) equity method investments in the aggregate amount of \$246.7 million;
- the Canopy USA Loans Receivable, in the amount of \$147.4 million relating to fair value movements in consideration of the debtor's net assets;
- the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement (as defined below). The fair value decrease in fiscal 2025 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date (as defined below), relative to an increase of approximately 46% in Acreage’s share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Shares that were expected to be issued upon the acquisition of all of the issued and outstanding Class E subordinate voting shares (the “Fixed Shares”) and Class D subordinate voting shares of Acreage (the “Acreage Acquisition”), and a higher estimated value of the Acreage shares that were expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
- Indiva Limited (“Indiva”) shares, in the amount of \$2.8 million due to a decrease in the price per Indiva share as a result of Indiva’s CCAA (as defined below) proceedings.

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

- The exchangeable shares (the “TerrAscend Exchangeable Shares”) in the capital of TerrAscend Corp. (“TerrAscend”), in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend’s share price up to April 30, 2024, being the date that Canopy Growth deconsolidated the financial results of Canopy USA (the “Deconsolidation Date”);
 - the 22,474,130 TerrAscend common share purchase warrants with a weighted average exercise price of \$6.07 per TerrAscend common share and expiring on December 31, 2032 (the “TerrAscend Warrants”), in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend’s share price up to the Deconsolidation Date; and
 - the option premium asset associated with an option premium prepayment (the “Option Premium”), in the amount of \$3.1 million related to closing of the Acreage Debt Acquisition and release of the amount that was previously held in escrow pursuant to the option agreement dated November 15, 2022 (the “Option Agreement”) among a wholly owned subsidiary of Canopy Growth and the lenders party to Acreage’s credit agreement.
- Change of \$80.5 million related to fair value changes on warrant derivative liability, from a gain of \$89.2 in fiscal 2025 to a gain of \$8.7 in fiscal 2026. The decrease in fair value gain is driven by a change in the decrease of our share price, we experienced a larger decrease in our share price in fiscal 2025 compared to fiscal 2026.
 - Change of \$35.5 million related to fair value changes on acquisition related contingent consideration and other, from an expense of \$35.5 million in fiscal 2025 to \$nil in fiscal 2026. There were no fair value changes for any acquisition related contingent consideration in fiscal 2026, whereas the fair value changes in fiscal 2025 related to various acquisition related contingent consideration.

- Change of \$36.9 million related to charges associated with the settlement of our debt, from a gain of \$22.3 million in fiscal 2025 to a loss of \$14.6 million in fiscal 2026. For fiscal 2026, we recognized a loss of \$14.6 million, related to the settlement of the May 2024 Convertible Debenture and the settlement of the Credit Facility. Comparatively, in fiscal 2025, we recognized a gain of \$22.3 million, primarily in connection with the exchange of the \$100 million principal amount promissory note issued to Greenstar Canada Investment Limited Partnership (the “CBI Note”).
- Increase in interest income of \$1.2 million, from \$8.8 million in fiscal 2025 to \$10.0 million in fiscal 2026. The year-over-year increase is attributable to higher cash balances.
- Decrease in interest expense of \$36.4 million, from \$74.6 million in fiscal 2025 to \$38.2 million in fiscal 2026. The year-over-year decrease is primarily attributable to the reduction of our debt balances.

Income tax expense

Income tax expense in fiscal 2026 was \$0.02 million, as compared to an income tax expense of \$7.1 million in fiscal 2025. In fiscal 2026, the income tax expense consisted of a deferred income tax expense of \$0.04 million (compared to an expense of \$6.8 million in fiscal 2025) and current income tax recovery of \$0.01 million (compared to an expense of \$0.3 million in fiscal 2025).

The decrease of \$6.8 million in the deferred income tax expense is primarily a result of the settlements of the CBI Note in fiscal 2025 that did not recur in fiscal 2026.

The decrease of \$0.3 million in the current income tax expense relates primarily to a prior period return to provision recovery of \$0.3 million in a German subsidiary of the Company. Otherwise, the current tax expense remained consistent period over period and arose primarily in connection with tax on income for tax purposes that could not be reduced by the group’s tax attributes in the current taxation year.

Restructuring, Asset Impairments and Related Costs

Fiscal 2026

Total restructuring, asset impairments and related costs of \$77.0 million were recognized in fiscal 2026. The fiscal 2026 expense amount is primarily related to the non-cash impairment of the Storz & Bickel goodwill, Storz & Bickel brand and inventory-related charges. Employee-related restructuring costs further contributed to the total charges in fiscal 2026.

A summary of the pre-tax charges recognized in fiscal 2026 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2026
Costs recorded in cost of goods sold:	
Inventory write-downs and other charges	\$ 9,878
Costs recorded in operating expenses:	
Impairment of property, plant and equipment, net	1,715
Impairment of intangible assets	8,028
Impairment of goodwill	47,491
Employee-related, other asset impairment and other restructuring costs	9,845
Asset impairment and restructuring costs	67,079
Total restructuring, asset impairments and related costs	\$ 76,957

Fiscal 2025

Total restructuring, asset impairments and related costs of \$33.2 million were recognized in fiscal 2025. The fiscal 2025 expense amount is primarily attributable to the non-cash impairment of divestiture-related assets, employee restructuring costs and other costs associated with previous restructuring actions. This was partially offset by a gain related to the renegotiation of the terms of a long

term facility lease, resulting in a short-term to long-term reclassification of its lease liabilities in December 2024 (the “Lease Renegotiation”) and reversal of a previous restructuring charge.

A summary of the pre-tax charges recognized in fiscal 2025 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2025
Costs recorded in cost of goods sold:	
Inventory write-downs and other charges	\$ 1,991
Costs recorded in operating expenses:	
Impairment of property, plant and equipment, net	13,523
Contractual and other settlement obligations	(1,942)
Employee-related, other asset impairment and other restructuring costs	19,652
Asset impairment and restructuring costs	31,233
Total restructuring, asset impairments and related costs	<u>\$ 33,224</u>

Net Loss

The net loss from continuing operations in fiscal 2026 was \$262.9 million, as compared to a net loss from continuing operations of \$514.9 million in fiscal 2025. The year-over-year decrease in the net loss from continuing operations is primarily attributable to the year-over-year decrease in expense relating to other income (expense), net, of \$289.4 million, which was primarily driven by lower fair value losses on Canopy USA related assets and lower interest expense. The lower expense was partially offset by an increase in operating loss relating to impairment restructuring charges relating primarily to the impairment of goodwill. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

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

The following table presents Adjusted EBITDA for the years ended March 31, 2026 and 2025:

<i>(in thousands of Canadian dollars)</i>	Year ended March 31,		\$ Change	% Change
	2026	2025 (As Restated)		
Net loss from continuing operations	\$ (262,908)	\$ (514,901)	\$ 251,993	49%
Income tax expense	23	7,141	(7,118)	(100%)
Other (income) expense, net	101,226	390,617	(289,391)	(74%)
Share-based compensation	4,266	(4,205)	8,471	201%
Acquisition, divestiture, and other costs ¹	22,944	21,502	1,442	7%
Depreciation and amortization	36,473	43,118	(6,645)	(15%)
Loss on asset impairment and restructuring	67,079	31,233	35,846	115%
Acquisition related restructuring and other inventory write-downs	9,878	1,991	7,887	396%
Charges related to the flow-through of inventory step-up on business combinations	849	-	849	100%
Adjusted EBITDA	<u>\$ (20,170)</u>	<u>\$ (23,504)</u>	<u>\$ 3,334</u>	<u>14%</u>

¹ Acquisition, divestiture, and other costs include discrete transaction and litigation costs.

The Adjusted EBITDA loss in fiscal 2026 was \$20.2 million, as compared to an Adjusted EBITDA loss of \$23.5 million in fiscal 2025. The year-over-year decrease in the Adjusted EBITDA loss is primarily attributable to the year-over-year reduction in our total selling, general and administrative expense. These variances are described above.

Discussion of Fiscal 2025 Results of Operations

The following table presents selected consolidated financial information for the years ended March 31, 2025 and 2024:

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Years ended March 31,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 268,995	\$ 297,146	\$ (28,151)	(9%)
Gross margin percentage	30%	27%	-	300 bps
Net loss from continuing operations	\$ (514,901)	\$ (520,093)	\$ 5,192	1%
Basic and diluted loss per share from continuing operations ¹	\$ (4.79)	\$ (6.95)	\$ 2.16	31%

¹ For the year ended March 31, 2025, the weighted average number of outstanding common shares, basic and diluted, totaled 107,553,729 (year ended March 31, 2024 - 74,787,521).

Net Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. This Works was divested on December 18, 2023 and revenue derived from the remainder of our operations were included within "Other". The following table presents segmented net revenue for the years ended March 31, 2025 and 2024:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Years ended March 31,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
Cannabis				
Canadian adult-use cannabis ^{1,3}	\$ 78,828	\$ 92,803	\$ (13,975)	(15%)
Canadian medical cannabis ^{2,4}	77,032	66,362	10,670	16%
International markets cannabis ⁵	30,866	32,518	(1,652)	(5%)
	<u>186,726</u>	<u>191,683</u>	<u>(4,957)</u>	<u>(3%)</u>
Storz & Bickel	\$ 82,269	\$ 79,464	\$ 2,805	4%
This Works	\$ -	\$ 21,256	\$ (21,256)	(100%)
Other ^{1,2}	\$ -	\$ 4,743	\$ (4,743)	(100%)
Net revenue	<u>\$ 268,995</u>	<u>\$ 297,146</u>	<u>\$ (28,151)</u>	<u>(9%)</u>

¹ A reclassification of \$433 of ancillary cannabis revenues from Other to Canadian adult-use cannabis occurred for the year ended March 31, 2024.

² A reclassification of \$5,016 of ancillary cannabis revenues from Other to Canadian medical cannabis occurred for the year ended March 31, 2024.

³ Reflects excise taxes of \$36,442 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$4,166 for the year ended March 31, 2025 (year ended March 31, 2024 - excise taxes of \$40,115 and other revenue adjustments of \$3,514).

⁴ Reflects excise taxes of \$8,532 for the year ended March 31, 2025 (year ended March 31, 2024 - \$6,673).

⁵ Reflects other revenue adjustments of \$100 for the year ended March 31, 2025 (year ended March 31, 2024 - \$645).

Net revenue was \$269.0 million in fiscal 2025, as compared to \$297.1 million in fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture (as defined below) on December 18, 2023; (ii) a decrease in Canada adult-use cannabis; and (iii) a decline in our U.S. CBD business. These decreases were partially offset by: (i) growth in Canada medical; and (ii) growth in Storz & Bickel.

Cannabis

Net revenue from our Cannabis segment was \$186.7 million in fiscal 2025, as compared to \$191.7 million in fiscal 2024.

Canadian adult-use cannabis net revenue was \$78.8 million in fiscal 2025, as compared to \$92.8 million in fiscal 2024. The year-over-year decrease is primarily attributable to lower sales volumes and sales velocity on our core flower and PRJ offerings due to continued increase in price competition, partially offset by a shift towards infused PRJs and opportunistic bulk sales.

Canadian medical cannabis net revenue was \$77.0 million in fiscal 2025, as compared to \$66.4 million in fiscal 2024. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$30.9 million in fiscal 2025, as compared to \$32.5 million in fiscal 2024. The year-over-year decrease is primarily attributable to: (i) a decline in our Australian medical cannabis business and (ii) a decline in our U.S. CBD business resulting from a transition of our U.S. CBD business to Canopy USA which was deconsolidated on April 30, 2024, offset by increased shipments of flower products in Europe, driven by Poland and Germany.

Storz & Bickel

Revenue from Storz & Bickel was \$82.3 million in fiscal 2025, as compared to \$79.5 million in fiscal 2024. The year-over-year increase is primarily attributable to strong growth in Germany and the United Kingdom, sales of our Mighty vaporizer and sales of Venty, our newest portable vaporizer.

This Works

Revenue from This Works was \$nil in fiscal 2025, as compared to \$21.3 million in fiscal 2024. The year-over-year decrease is due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the years ended March 31, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Years ended March 31,		\$ Change	% Change
	2025	2024		
Net revenue	\$ 268,995	\$ 297,146	\$ (28,151)	(9%)
Cost of goods sold	\$ 189,484	\$ 216,264	\$ (26,780)	(12%)
Gross margin	79,511	80,882	(1,371)	(2%)
Gross margin percentage	30%	27%	-	300 bps

Cost of goods sold was \$189.5 million in fiscal 2025, as compared to \$216.3 million in fiscal 2024. Our gross margin was \$79.5 million in fiscal 2025, or 30% of net revenue, as compared to a gross margin of \$80.9 million and gross margin percentage of 27% of net revenue in fiscal 2024. The year-over-year increase in the gross margin percentage was primarily attributable to improvement in our Canada cannabis segment resulting from (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; and (ii) a shift in channel mix to higher margin medical sales, partially offset by costs related to new product launches, increased price competition and higher indirect costs.

The following table presents segmented gross margin and gross margin percentage for the years ended March 31, 2025 and 2024:

(in thousands of Canadian dollars except where indicated)	Years ended March 31,		\$ Change	% Change
	2025	2024		
Canada cannabis segment				
Net revenue ¹	\$ 186,726	\$ 191,683	\$ (4,957)	(3%)
Cost of goods sold ²	137,731	151,904	(14,173)	(9%)
Gross margin	48,995	39,779	9,216	23%
Gross margin percentage	26%	21%		500 bps
Storz & Bickel segment				
Revenue	\$ 82,269	\$ 79,464	\$ 2,805	4%
Cost of goods sold	51,753	46,793	4,960	11%
Gross margin	30,516	32,671	(2,155)	(7%)
Gross margin percentage	37%	41%		(400) bps
This Works segment				
Revenue	-	\$ 21,256	\$ (21,256)	(100%)
Cost of goods sold	-	10,722	(10,722)	(100%)
Gross margin	-	10,534	(10,534)	(100%)
Gross margin percentage	-%	50%		N/A
Other				
Revenue ¹	-	\$ 4,743	\$ (4,743)	(100%)
Cost of goods sold ²	-	6,845	(6,845)	(100%)
Gross margin	-	(2,102)	2,102	100%
Gross margin percentage	-%	(44%)		N/A

¹ A reclassification of \$nil and \$5,449 of ancillary cannabis revenues from Other to Canada cannabis occurred for the year ended March 31, 2025 and March 31, 2024, respectively.

² A reclassification of \$nil and \$4,705 of ancillary cannabis cost of goods sold from Other to Canada cannabis occurred for the year ended March 31, 2025 and March 31, 2024, respectively.

Cannabis

Gross margin for our Cannabis segment was \$49.0 million in fiscal 2025, or 26% of net revenue, as compared to \$39.8 million in fiscal 2024, or 21% of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; and (ii) a shift in channel mix to higher margin medical sales. The increase was partially offset by: (i) recent pricing pressures in Poland; (ii) lower selling prices in Germany; (iii) lower sales in our Australian medical cannabis business; and (iv) the decline in U.S. CBD sales.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$30.5 million in fiscal 2025, or 37% of net revenue, as compared to \$32.7 million in fiscal 2024, or 41% of net revenue. The year-over-year decrease in the gross margin percentage is driven primarily by a shift in product mix as additional rebates were provided to clear out remaining stock of a previously planned discontinued product and increases in indirect costs.

This Works

Gross margin for our This Works segment was \$nil in fiscal 2025, or 0% of net revenue, as compared to \$10.5 million in fiscal 2024, or 50% of net revenue. The year-over-year decrease in the gross margin percentage is due to the completion of the This Works Divestiture on December 18, 2023.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Years ended March 31,		\$ Change	% Change
	2025	2024		
Operating expenses				
General and administrative	\$ 65,060	\$ 90,265	\$ (25,205)	(28%)
Sales and marketing	60,852	76,145	(15,293)	(20%)
Acquisition, divestiture, and other costs	19,524	34,767	(15,243)	(44%)
Depreciation and amortization	24,190	28,252	(4,062)	(14%)
Selling, general and administrative expenses	169,626	229,429	(59,803)	(26%)
Share-based compensation	(4,205)	14,180	(18,385)	(130%)
Loss on asset impairment and restructuring	31,233	65,987	(34,754)	(53%)
Total operating expenses	\$ 196,654	\$ 309,596	\$ (112,942)	(36%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$169.6 million in fiscal 2025, as compared to \$229.4 million in fiscal 2024.

General and administrative expense was \$65.1 million in fiscal 2025, as compared to \$90.3 million in fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023; (ii) continued decrease in people costs and professional service costs; and (iii) the This Works Divestiture on December 18, 2023.

Sales and marketing expense was \$60.9 million in fiscal 2025, as compared to \$76.1 million in fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023; (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023; and (iii) continued decrease in people costs and professional service costs.

Acquisition-related costs were \$19.5 million in fiscal 2025, as compared to \$34.8 million in fiscal 2024. In fiscal 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods;
- the reorganization of Canopy USA;
- costs associated with the Debt Acquisition of Acreage; and
- costs relating to the modification of the Credit Agreement that occurred in August 2024;

Comparatively, in fiscal 2024, costs were incurred primarily in relation to:

- approximately \$8.3 million of costs relating to the modification of the Credit Agreement that occurred in July 2023;
- approximately \$10.7 million of legal and audit costs related to the restatement of our consolidated financial statements for the Prior Periods in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023;
- the reorganization of Canopy USA; and
- evaluating other potential opportunities.

Depreciation and amortization expense was \$24.2 million in fiscal 2025, as compared to \$28.3 million in fiscal 2024. The year-over-year decrease is primarily attributable to the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business.

Share-based compensation

Share-based compensation was \$(4.2) million in fiscal 2025, as compared to \$14.2 million in fiscal 2024. The year-over-year change from an expense to an expense reversal is driven by the departure of our former CEO which resulted in a deemed modification of his existing share-based compensation and reversal of expensing associated with unvested tranches. The expense reversal is partially offset by (i) the first quarter of fiscal 2025 grant of 0.8 million options and 0.7 million restricted share units and (ii) higher forfeitures in fiscal 2024 due to previously-noted restructuring actions.

Asset impairment and restructuring costs

Asset impairment and restructuring costs recorded in operating expenses were \$31.2 million in fiscal 2025, as compared to \$66.0 million in fiscal 2024.

Loss on asset impairment and restructuring recorded in fiscal 2025 is primarily related to the non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the exit agreement.

Comparatively, in fiscal 2024, the loss on asset impairment and restructuring was primarily related to: (i) the Storz & Bickel goodwill and intangible asset impairment resulting from our annual impairment testing; (ii) the charges associated with the completion of the divestiture of the Company's interest in This Works on December 18, 2023 (the "This Works Divestiture"); and (iii) incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023. These charges were offset by a gain on the sale of our production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain is due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023.

Other

The following table presents other income (expense), net, and income tax (expense) recovery for the years ended March 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Years ended March 31,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	(As Restated)	(As Restated)		
Other income (expense), net	(390,617)	(279,052)	(111,565)	(40%)
Income tax (expense)	(7,141)	(12,327)	5,186	42%

Other income (expense), net

Other income (expense), net was an expense amount of \$390.6 million in fiscal 2025, as compared to an expense amount of \$279.1 million in fiscal 2024. The year-over-year change of \$111.6 million, increase in expense, was primarily attributable to:

- Increase in non-cash expense of \$275.4 million related to fair value changes on our Canopy USA related and other financial assets, from an expense amount of \$124.8 million in fiscal 2024 to an expense amount of \$400.2 million in fiscal 2025. The fiscal 2025 expense amount is primarily attributable to fair value decreases relating to our investments in:
 - the Canopy USA equity method investment in the amount of \$98.6 million;
 - the Canopy USA LPs equity method investment in the amount of \$148.1 million;
 - the Elevate loan receivable, in the amount of \$7.3 million relating to fair value movements in consideration of the debtor's net assets;
 - the Acreage and Wana Debt loan receivable, in the amount of \$140.1 million, primarily attributable to changes in market conditions and assumptions;
 - the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the arrangement agreement between us and Acreage dated April 18, 2019, as amended on May 15, 2019, September 23, 2020 and November 17, 2020 and the restated plan of arrangement (the "Acreage Amended Arrangement"). The fair value decrease in fiscal 2025 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Shares that were expected to be issued upon the Acreage Acquisition, and a higher estimated value of the common shares in the capital of Acreage that were expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
 - Indiva shares, in the amount of \$2.8 million due to a decrease in the price per Indiva share as a result of Indiva's CCAA proceedings.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date; and

- the option premium asset associated with an option premium payment, in the amount of \$3.1 million related to closing of the Acreage Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Option Agreement.

Comparatively, the fiscal 2024 expense amount is primarily attributable to fair value decreases relating to our investments in:

- The Wana (as defined below) financial instrument, in the amount of \$83.2 million, primarily attributable to changes in expectations of future cash flows to be generated by Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, “Wana”);
- The Lemurian, Inc. (“Jetty”) financial instrument, in the amount of \$15.1 million, primarily attributable to changes in expectations of future cash flows to be generated by Jetty;
- The Acreage financial instrument, in the amount of \$45.4 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease for fiscal 2024 is primarily attributable to a decrease of approximately 51% in our share price, relative to a decrease of approximately 49% in Acreage’s share price during the same period. As a result, the model at March 31, 2024 reflects both a lower estimated value of the Canopy Shares expected to be issued upon 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 a lower estimated value of the Acreage shares expected to be acquired at that time. In fiscal 2024, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
- The Hempco Debenture (as defined below), in the amount of \$15.8 million, primarily attributable to changes in expectations of future cash flows to be received.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- The TerrAscend Exchangeable Shares, in the amount of \$26.9 million, primarily attributable to an increase of approximately 23% in TerrAscend’s share price during fiscal 2024; and
 - The 22,474,130 TerrAscend Warrants, in the amount of \$6.6 million, primarily attributable to an increase of approximately 23% in TerrAscend’s share price during fiscal 2024.
- Change of \$121.2 million related to fair value changes on warrant derivative liability, from a loss of \$32.0 in fiscal 2024 to a gain of \$89.2 in fiscal 2025. The change from fair value loss to a fair value gain is driven by a change in our share price.
 - Decrease in expense of \$35.8 million related to non-cash fair value changes on our debt, from \$35.8 million in fiscal 2024 to \$nil in fiscal 2025. The year-over-year change is driven primarily by the fair value change of the CBI Note in fiscal 2024. In fiscal 2025 there are no debt balances recorded at fair value.
 - Change of \$47.8 million related to fair value changes on acquisition related contingent consideration and other, from an income of \$12.3 million in fiscal 2024 to an expense of \$35.5 million in fiscal 2025. The fair value change in fiscal 2025 relates primarily to various acquisition related contingent consideration. Comparatively, the fair value change in fiscal 2024 related primarily to the estimated deferred payments associated with our investment in Wana.
 - Change of \$34.4 million related to charges associated with the settlement of our debt, from an expense amount of \$12.1 million in fiscal 2024 to an income amount of \$22.3 million in fiscal 2025. For fiscal 2025, we recognized a gain of \$22.3 million, primarily in connection with the exchange of the CBI Note. Comparatively, in fiscal 2024, we recognized a charge of \$12.1 million, which is primarily due to the settlement of our unsecured senior notes and principal repayments on the Credit Facility.
 - Decrease in interest income of \$7.4 million, from \$16.2 million in fiscal 2024 to \$8.8 million in fiscal 2025. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
 - Decrease in interest expense of \$30.8 million, from \$105.4 million in fiscal 2024 to \$74.6 million in fiscal 2025. The year-over-year decrease is primarily attributable to the reduction of our debt balances.

Income tax expense

Income tax expense in fiscal 2025 was \$7.1 million, as compared to an income tax expense of \$12.3 million in fiscal 2024. In fiscal 2025, the income tax expense consisted of a deferred income tax expense of \$6.8 million (compared to an expense of \$12.0 million in fiscal 2024) and current income tax expense of \$0.3 million (compared to an expense of \$0.3 million in fiscal 2024).

The decrease of \$5.2 million in the deferred income tax expense is primarily a result of: (i) a decrease due to the settlements of our senior notes due July 2023 pursuant to an indenture dated June 20, 2018 as supplemented on April 30, 2019 and June 29, 2022 in fiscal 2024 relative to the settlements of the CBI Note in fiscal 2025; and (ii) an increase due to the realization of deferred taxes for entities that historically did not meet the deferred tax asset recognition criteria.

The current income tax expense remained consistent year over year and arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Restructuring, Asset Impairments and Related Costs

Fiscal 2025

Total restructuring, asset impairments and related costs of \$33.2 million were recognized in fiscal 2025. The fiscal 2025 expense amount is primarily attributable to the non-cash impairment of divestiture-related assets, employee restructuring costs and other costs associated with previous restructuring actions. This was partially offset by a gain related to the Lease Renegotiation and reversal of a previous restructuring charge.

A summary of the pre-tax charges recognized in fiscal 2025 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2025
Costs recorded in cost of goods sold:	
Inventory write-downs and other charges	\$ 1,991
Costs recorded in operating expenses:	
Impairment of property, plant and equipment, net	13,523
Contractual and other settlement obligations	(1,942)
Employee-related, other asset impairment and other restructuring costs	19,652
Asset impairment and restructuring costs	31,233
Total restructuring, asset impairments and related costs	<u>\$ 33,224</u>

Fiscal 2024

Total restructuring, asset impairments and related costs of \$65.0 million were recognized in fiscal 2024.

Restructuring and other charges totaling \$(14.5) million were recognized in fiscal 2024 comprised of: (i) a gain on property, plant and equipment, (ii) reversal of inventory write-downs and other charges, (iii) reversal of contractual and other settlement costs, and (iv) employee-related costs and other restructuring costs. These 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 gain on property, plant and equipment was primarily driven by a gain on the sale of the Company's production facility at 1 Hershey Drive in Smiths Falls, Ontario.

Impairment charges totaling \$79.5 million were recognized in fiscal 2024, comprised of: (i) goodwill impairment losses of \$42.1 million relating to the Storz & Bickel reporting unit, (ii) impairment charges of \$9.0 million for the Storz & Bickel acquired brand intangible asset, (iii) impairment charges of \$28.1 million relating to This Works Divestiture including \$7.9 million for the acquired brand and \$20.2 million for the excess of carrying amount over the fair value less costs to sell of This Works, and (iv) other intangible asset impairment charges of \$0.3 million.

A summary of the pre-tax charges recognized in fiscal 2024 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2024		
	Restructuring and other charges	Other impairments	Total
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	29,193	20,154	49,347
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>

Net Loss

The net loss from continuing operations in fiscal 2025 was \$514.9 million, as compared to a net loss from continuing operations of \$520.1 million in fiscal 2024. The year-over-year decrease in the net loss from continuing operations is primarily attributable to the decrease in operating loss resulting from lower operating expenses. The decrease in operating loss was partially offset by an increase in expense relating to other income (expense), net, of \$111.6 million, which was primarily driven by increased fair value losses on Canopy USA related assets, offset by fair value gains on the warrant derivative liability. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the years ended March 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Years ended March 31,		\$ Change	% Change
	2025	2024		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (514,901)	\$ (520,093)	\$ 5,192	1%
Income tax expense	7,141	12,327	(5,186)	(42%)
Other (income) expense, net	390,617	279,052	111,565	40%
Share-based compensation	(4,205)	14,180	(18,385)	(130%)
Acquisition, divestiture, and other costs	21,502	37,435	(15,933)	(43%)
Depreciation and amortization	43,118	53,176	(10,058)	(19%)
Loss on asset impairment and restructuring	31,233	65,987	(34,754)	(53%)
Restructuring costs recorded in cost of goods sold	1,991	(986)	2,977	302%
Adjusted EBITDA	<u>\$ (23,504)</u>	<u>\$ (58,922)</u>	<u>\$ 35,418</u>	<u>60%</u>

The Adjusted EBITDA loss in fiscal 2025 was \$23.5 million, as compared to an Adjusted EBITDA loss of \$58.9 million in fiscal 2024. The year-over-year decrease in the Adjusted EBITDA loss is primarily attributable to the year-over-year reduction in our total selling, general and administrative expense. These variances are described above.

Quarterly Discussion and Analysis

The Company has restated the unaudited consolidated financial statements for the quarterly periods ended September 30, 2023, December 31, 2023, June 30, 2024, September 30, 2024, December 31, 2024, June 30, 2025, September 30, 2025 and December 31, 2025, originally included in our Quarterly Reports on Form 10-Q for such quarterly periods. The restatements of such unaudited consolidated quarterly financial statements are provided in Note 35, "Restatement of Previously Issued Unaudited Interim Condensed Consolidated Financial Statements" of the consolidated financial statements of this Comprehensive Form 10-K. The following discussion should be read in conjunction with our accompanying restated unaudited condensed interim consolidated financial statements disclosed in Part II, Item 8. Financial Statements and Supplementary Data, Note 35, "Restatement of Previously Issued Unaudited Interim Condensed Consolidated Financial Statements" of this Comprehensive Form 10-K.

As described under "Segment Reporting" above, prior to the first quarter of fiscal 2026, we had the following four reportable segments: (i) Canada cannabis, (ii) International markets cannabis; (iii) Storz & Bickel, and (iv) This Works (divested December 18,

2023). For purposes of our quarterly discussion and analysis below, we are reporting our segment net revenue and segment gross margin for all periods prior to the first quarter of fiscal 2026, along with comparative periods, for the aforementioned four reportable segments. Beginning in the first quarter of fiscal 2026, we are reporting our segment net revenue and segment gross margin for the following two reportable segments: (i) Cannabis and (ii) Storz & Bickel and results for the comparative periods have been restated to reflect the change in segments.

Discussion of Results of Operations for the Three and Six Months Ended September 30, 2023

Discussion of Second Quarter of Fiscal 2024 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Three months ended September 30,			
	2023	2022	\$ Change	% Change
	(As Restated)			
Selected consolidated financial information:				
Net revenue	\$ 69,595	\$ 87,941	\$ (18,346)	(21%)
Gross margin percentage	34%	(1%)	-	3,500 bps
Net loss from continuing operations	\$ (139,547)	\$ (196,466)	\$ 56,919	29%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (139,547)	\$ (195,177)	\$ 55,630	29%
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (1.95)	\$ (4.14)	\$ 2.19	53%

¹For the three months ended September 30, 2023, the weighted average number of outstanding common shares, basic and diluted, totaled 71,629,443 (three months ended September 30, 2022 - 47,159,215).

²Share and per share amounts have been retrospectively adjusted to reflect the consolidation of the issued and outstanding Canopy Shares on the basis of one post-consolidation common share for every 10 pre-consolidation common share (the "Share Consolidation"), which became effective on December 15, 2023.

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following tables present segmented net revenue, by channel and by form, for the three months ended September 30, 2023 and 2022:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Three months ended September 30,			
	2023	2022	\$ Change	% Change
Canada cannabis				
Canadian adult-use cannabis				
Business-to-business ¹	\$ 24,016	\$ 25,317	\$ (1,301)	(5%)
Business-to-consumer	-	12,772	(12,772)	(100%)
	24,016	38,089	(14,073)	(37%)
Canadian medical cannabis ²	14,976	14,215	761	5%
	\$ 38,992	\$ 52,304	\$ (13,312)	(25%)
Rest-of-world cannabis ³	\$ 8,977	\$ 10,552	\$ (1,575)	(15%)
Storz & Bickel	\$ 11,991	\$ 13,494	\$ (1,503)	(11%)
This Works	\$ 7,074	\$ 6,868	\$ 206	3%
Other	2,561	4,723	(2,162)	(46%)
Net revenue	\$ 69,595	\$ 87,941	\$ (18,346)	(21%)

¹ Reflects excise taxes of \$10,829 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$500 for the three months ended September 30, 2023 (three months ended September 30, 2022 - excise taxes of \$11,366 and other revenue adjustments of \$353).

² Reflects excise taxes of \$1,652 for the three months ended September 30, 2023 (three months ended September 30, 2022 - \$1,130).

³ Reflects other revenue adjustments of \$70 for the three months ended September 30, 2023 (three months ended September 30, 2022 - \$535).

Net revenue was \$69.6 million in the second quarter of fiscal 2024, a decrease of \$18.3 million as compared to \$87.9 million in the second quarter of fiscal 2023.

Canada cannabis

Net revenue from our Canada cannabis segment was \$39.0 million in the second quarter of fiscal 2024, as compared to \$52.3 million in the second quarter of fiscal 2023.

Canadian adult-use cannabis net revenue was \$24.0 million in the second quarter of fiscal 2024, as compared to \$38.1 million in the second quarter of fiscal 2023.

- Net revenue from the business-to-business channel was \$24.0 million in the second quarter of fiscal 2024, as compared to \$25.3 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to the decline in the 7ACRES brand offset by the growth in the Tweed flower and pre-roll products.
- Revenue from the adult-use business-to-consumer channel was \$nil in the second quarter of fiscal 2024, as compared to \$12.8 million in the second quarter of fiscal 2023. The year-over-year decrease is attributable to the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Canadian medical cannabis net revenue was \$15.0 million in the second quarter of fiscal 2024, as compared to \$14.2 million in the second quarter of fiscal 2023. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to a shift in our customer mix, and a larger assortment of cannabis product choices offered to our customers. These factors were partially offset by a year-over-year decrease in the total number of medical orders, which we believe is attributable to a greater number of medical patients procuring product from the adult-use market.

Rest-of-world cannabis

Rest-of-world cannabis revenue was \$9.0 million in the second quarter of fiscal 2024, as compared to \$10.6 million in the second quarter of fiscal 2023. The year-over-year decrease is attributable to:

- A decline in our U.S. CBD business, primarily due to the continuing impact of our strategy shift to re-focus and refine our portfolio of product and brand offerings on premium products; and
- Softness in the German medical cannabis market, offset by increased sales of medical cannabis in Australia.

Storz & Bickel

Revenue from Storz & Bickel was \$12.0 million in the second quarter of fiscal 2024, as compared to \$13.5 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to timing of sales to distributors, partially offset by favorable foreign currency translations.

This Works

Revenue from This Works was \$7.1 million in the second quarter of fiscal 2024, as compared to \$6.9 million in the second quarter of fiscal 2023. The year-over-year increase is primarily attributable to an expanded product portfolio in our "Bodycare" line and continued success and strengthening sales velocity of our "In Transit" skincare product lineup, further supported by favorable foreign currency translations.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended September 30,		\$ Change	% Change
	2023	2022		
Net revenue	\$ 69,595	\$ 87,941	\$ (18,346)	(21%)
Cost of goods sold	\$ 46,169	\$ 88,552	\$ (42,383)	(48%)
Gross margin	23,426	(611)	24,037	3,934%
Gross margin percentage	34%	(1%)	-	3,500 bps

Cost of goods sold was \$46.2 million in the second quarter of fiscal 2024, as compared to \$88.6 million in the second quarter of fiscal 2023. Our gross margin was \$23.4 million in the second quarter of fiscal 2024, or 34% of net revenue, as compared to a gross margin of \$(0.6) million and gross margin percentage of (1%) of net revenue in the second quarter of fiscal 2023. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) opportunistic utilization of lower cost inputs;
- A year-over-year decrease in restructuring charges, from \$4.8 million in the second quarter of fiscal 2023 to \$nil in the second quarter of fiscal 2024. In the second quarter of fiscal 2023, restructuring charges related primarily to inventory write-downs resulting from: (i) the strategic changes to our business that were initiated in the fourth quarter of fiscal 2022, including the shift to a contract manufacturing model for certain product format; and (ii) amounts deemed excess based on current and projected demand; and
- Improvement in our Rest-of-world cannabis and This Works segments, primarily due to lower excess and obsolete inventory charges in the second quarter of fiscal 2024.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the three months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended September 30,		\$ Change	% Change
	2023	2022		
Canada cannabis segment				
Net revenue	\$ 38,992	\$ 52,304	\$ (13,312)	(25%)
Cost of goods sold	24,871	59,956	(35,085)	(59%)
Gross margin	14,121	(7,652)	21,773	285%
Gross margin percentage	36%	(15%)		5,100 bps
Rest-of-world cannabis segment				
Revenue	\$ 8,977	\$ 10,552	\$ (1,575)	(15%)
Cost of goods sold	6,286	11,884	(5,598)	(47%)
Gross margin	2,691	(1,332)	4,023	302%
Gross margin percentage	30%	(13%)		4,300 bps
Storz & Bickel segment				
Revenue	\$ 11,991	\$ 13,494	\$ (1,503)	(11%)
Cost of goods sold	8,073	7,492	581	8%
Gross margin	3,918	6,002	(2,084)	(35%)
Gross margin percentage	33%	44%		(1,100) bps
This Works segment				
Revenue	\$ 7,074	\$ 6,868	\$ 206	3%
Cost of goods sold	3,688	4,565	(877)	(19%)
Gross margin	3,386	2,303	1,083	47%
Gross margin percentage	48%	34%		1,400 bps
Other				
Revenue	\$ 2,561	\$ 4,723	\$ (2,162)	(46%)
Cost of goods sold	3,251	4,655	(1,404)	(30%)
Gross margin	(690)	68	(758)	(1,115%)
Gross margin percentage	(27%)	1%		(2,800) bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$14.1 million in the second quarter of fiscal 2024, or 36% of net revenue, as compared to \$(7.7) million in the second quarter of fiscal 2023, or (15%) of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) opportunistic utilization of lower cost inputs.

Rest-of-world cannabis

Gross margin for our rest-of-world cannabis segment was \$2.7 million in the second quarter of fiscal 2024, or 30% of net revenue, as compared to \$(1.3) million in the second quarter of fiscal 2023, or (13%) of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to our U.S. CBD business, due primarily to the year-over-year decrease in restructuring charges, as we recorded charges of \$3.7 million in the second quarter of fiscal 2023 relating to inventory write-downs resulting from strategic changes to our business. These charges decreased to \$nil in the second quarter of fiscal 2024.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$3.9 million in the second quarter of fiscal 2024, or 33% of net revenue, as compared to \$6.0 million in the second quarter of fiscal 2023, or 44% of net revenue. The year-over-year decrease in the gross margin

percentage is driven primarily by lower revenues in the second quarter of fiscal 2024 as there is less variability in production costs for Storz & Bickel.

This Works

Gross margin for our This Works segment was \$3.4 million in the second quarter of fiscal 2024, or 48% of net revenue, as compared to \$2.3 million in the second quarter of fiscal 2023, or 34% of net revenue. The year-over-year increase in the gross margin percentage is primarily due to lower excess and obsolete inventory charges in the second quarter of fiscal 2024.

Operating Expenses

The following table presents operating expenses for the three months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		\$ Change	% Change
	2023	2022		
Operating expenses				
General and administrative	\$ 19,024	\$ 30,784	\$ (11,760)	(38%)
Sales and marketing	19,601	35,698	(16,097)	(45%)
Research and development	1,105	5,489	(4,384)	(80%)
Acquisition, divestiture, and other costs	10,488	14,006	(3,518)	(25%)
Depreciation and amortization	7,393	9,043	(1,650)	(18%)
Selling, general and administrative expenses	57,611	95,020	(37,409)	(39%)
Share-based compensation expense	2,717	9,573	(6,856)	(72%)
(Gain)/loss on asset impairment and restructuring	(29,895)	43,968	(73,863)	(168%)
Total operating expenses	<u>\$ 30,433</u>	<u>\$ 148,561</u>	<u>\$ (118,128)</u>	<u>(80%)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses were \$57.6 million in the second quarter of fiscal 2024, as compared to \$95.0 million in the second quarter of fiscal 2023.

General and administrative expense was \$19.0 million in the second quarter of fiscal 2024, as compared to \$30.8 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to the impact of the restructuring actions and cost savings programs initiated in the fourth quarters of both fiscal 2022 and fiscal 2023. We realized reductions relative to the second quarter of fiscal 2023 primarily in relation to: (i) compensation costs for finance, information technology, legal and other administrative functions; and (ii) a reduction in facilities and insurance costs.

Sales and marketing expense was \$19.6 million in the second quarter of fiscal 2024, as compared to \$35.7 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to: (i) the divestiture of our retail business in Canada in the third quarter of fiscal 2023; (ii) cost reductions related to the previously-noted restructuring actions and cost savings programs, which resulted in a rationalization of our sales and marketing spending in certain areas of our business, particularly for our Canadian cannabis and U.S. CBD businesses, and a reduction in compensation costs.

Research and development expense was \$1.1 million in the second quarter of fiscal 2024, as compared to \$5.5 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to cost reductions associated with the previously-noted restructuring actions and cost savings programs, as we: (i) continued to realize reductions in compensation costs and curtail research and development projects; and (ii) shifted to outsourced contract model for certain research and development projects.

Acquisition, divestiture, and other costs were \$10.5 million in the second quarter of fiscal 2024, as compared to \$14.0 million in the second quarter of fiscal 2023. In the second quarter of fiscal 2024, costs were incurred primarily in relation to:

- Approximately \$6.5 million of costs relating to the modification of the Credit Agreement that occurred in July 2023.
- Approximately \$1.8 million of legal and audit costs related to the restatement of our consolidated financial statements for the previously filed Prior Periods, in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023; and
- The reorganization, including the creation of Canopy USA.

Comparatively, in the second quarter of fiscal 2023, costs were incurred primarily in relation to the reorganization of Canopy USA, the planned divestiture of certain of our corporate-owned retail stores, and evaluating other potential acquisition opportunities.

Depreciation and amortization expense was \$7.4 million in the second quarter of fiscal 2024, as compared to \$9.0 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to: (i) the previously-noted restructuring actions

and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Share-based compensation expense

Share-based compensation expense was \$2.7 million in the second quarter of fiscal 2024, as compared to \$9.6 million in the second quarter of fiscal 2023. The year-over-year decrease is primarily attributable to the impact of our previously-noted restructuring actions, which resulted in forfeitures of stock options, restricted share units and performance units and results in lower relative expenses in future periods. While 24.0 million stock options were granted in the first quarter of fiscal 2024 and 15.1 million restricted share units were granted in the second quarter of fiscal 2024, the associated expense relating to both items partially offset the decrease noted.

(Gain)/loss on asset impairment and restructuring

(Gain)/loss on asset impairment and restructuring recorded in operating expenses were \$(29.9) million in the second quarter of fiscal 2024, as compared to \$44.0 million in the second quarter of fiscal 2023.

Gain on asset impairment and restructuring recorded in the second quarter of fiscal 2024 were primarily related to a gain on the sale of our production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain is due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023. This reversal was partially offset by various incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023.

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

- Impairment losses associated with the planned divestiture of our Canadian retail operations, as we recorded write-downs of property, plant and equipment, operating licenses and brand intangible assets, right-of-use assets, and certain other assets due to the excess of their carrying values over their estimated fair values;
- Incremental costs primarily associated with the restructuring actions completed in fiscal 2022, including the closure of certain of our Canadian production facilities; and
- Goodwill impairment losses of \$2.3 million associated with our This Works reporting unit, respectively (refer to “Impairment of Goodwill” in “Critical Accounting Policies and Estimates” section below), and asset impairment charges relating to certain acquired brand intangible assets.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	<i>(As Restated)</i>			
Other income (expense), net	(119,719)	(39,074)	(80,645)	(206%)
Income tax expense	(12,821)	(8,220)	(4,601)	(56%)

Other income (expense), net

Other income (expense), net was an expense amount of \$119.7 million in the second quarter of fiscal 2024, as compared to an expense amount of \$39.1 million in the second quarter of fiscal 2023. The year-over-year change of \$80.6 million is primarily attributable to:

- Change of \$82.2 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$0.1 million in the second quarter of fiscal 2023 to an expense of \$82.3 million in the second quarter of fiscal 2024. The expense amount recognized in the second quarter of fiscal 2024 is primarily attributable to fair value decreases relating to our investments in:
 - The Wana financial instrument, in the amount of \$43.6 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Wana;
 - The Acreage financial instrument, in the amount of \$23.4 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the second quarter of fiscal 2024 is primarily attributable to an increase of approximately 106% in our share price during the second quarter of fiscal 2024, relative to an increase of approximately 191% in Acreage’s share price during that same period. As a result, the model at September 30, 2023 reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon a Triggering Event, and a higher estimated value of the Acreage shares

expected to be acquired at that time. In the second quarter of fiscal 2024, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument;

- The Hempeco Debenture, in the amount of \$19.5 million, which was attributable primarily to changes in expected future cash flows to be received; and
- The Jetty financial instrument, in the amount of \$17.3 million, which was attributable primarily to changes in the expectations of the future cash flows to be generated by Jetty.

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

- The TerrAscend Exchangeable Shares, in the amount of \$13.2 million, primarily attributable to an increase of approximately 17% in TerrAscend's share price during the second quarter of fiscal 2024; and
- The TerrAscend Warrants, in the amount of \$7.2 million, primarily attributable to an increase of approximately 17% in TerrAscend's share price during the second quarter of fiscal 2024.

Comparatively, the expense amount in the second quarter of fiscal 2023 was primarily attributable to fair value decreases relating to our investments in: (i) the TerrAscend Exchangeable Shares (\$37.5 million); (ii) the secured debentures issued by TerrAscend Canada Inc. (TerrAscend Canada") and Arise Bioscience, Inc. ("Arise Bioscience") and associated 22,474,130 TerrAscend common share purchase warrants, being all of the previously issued TerrAscend warrants controlled by Canopy USA (the "Prior Warrants") (totaling \$6.6 million); and (iii) the option to purchase 1,072,450 TerrAscend Common Shares for an aggregate purchase price of \$1.00 (the "TerrAscend Option") (\$1.1 million), which were all driven largely by a decrease of approximately 40% in TerrAscend's share price in the second quarter of fiscal 2023. This was offset by the increase in the fair value of our investment in: the Wana financial instrument of \$34.8 million, due primarily to changes in expectations of the future cash flows to be generated by Wana; and the Acreage financial instrument of \$12.0 million, due primarily to the relative share prices of Acreage and Canopy Growth.

- Decrease of \$21.7 million related to charges associated with the settlement of our debt, from an income amount of \$14.5 million in the second quarter of fiscal 2023 to an expense amount of \$7.3 million in the second quarter of fiscal 2024. In the second quarter of fiscal 2024 we recognized charges of \$7.3 million, primarily in connection with principal repayments on the Credit Facility. The second quarter 2023 paydowns resulted in a principal reduction of \$73,313 (US\$54,491) for a cash payment of \$69,647 (US\$51,766) and included write-offs of the related deferred financing costs. Comparatively, in the second quarter of fiscal 2023, we recognized charges in the amount of \$14.5 million in connection with the acquisition and cancellation, by Canopy Growth, of approximately \$262.6 million of aggregate principal amount of Canopy Notes (as defined below) from certain noteholders for an aggregate purchase price of \$260.0 million, in exchange for Canopy Growth common shares (the "2022 Exchange Transaction"). These charges primarily include: (i) the recognition of a derivative liability in connection with the incremental Canopy Growth common shares that were potentially issuable as at June 30, 2022 at the volume-weighted average trading price of our common shares on the Nasdaq Global Select Market for the 10 consecutive trading days beginning on, and including, June 30, 2022, being US\$2.6245, on the second tranche closing on July 18, 2022, pursuant to the exchange agreements entered into with the noteholders (the "2022 Exchange Agreements"); partially offset by (ii) the release of amounts recorded in accumulated other comprehensive income in relation to the credit risk fair value adjustment associated with the portion of the Canopy Notes that were acquired and cancelled on June 30, 2022.
- Increase in expense of \$13.3 million related to non-cash fair value changes on our debt, from \$13.8 million in the second quarter of fiscal 2023 to \$27.1 million in the second quarter of fiscal 2024. The year-over-year change is driven by the fair value change of the unsecured senior notes prior to redemption in July 2023, the fair value changes on the CBI Note, and the fair value changes on the unsecured non-interest bearing convertible debentures.
- Decrease in non-cash income of \$0.9 million related to fair value changes on the warrant derivative liability associated with the warrants held by a wholly-owned subsidiary of CBI to acquire 38,454,444 common shares of Canopy Growth at a price of \$76.68 per common share (the "Tranche B Warrants"), from an income amount of \$0.9 million in the second quarter of fiscal 2023 to a fair value change of \$nil in the second quarter of fiscal 2024. The fair value change of \$nil in the second quarter of fiscal 2024 is the result of the fair value of the warrant derivative liability decreasing to \$nil in the fourth quarter of fiscal 2023, and remaining at \$nil in the second quarter of fiscal 2024 as our share price declined approximately 106% in the period. Comparatively, the income amount recognized in the second quarter of fiscal 2023 of \$0.9 million, associated with a decrease in the fair value of the warrant derivative liability, was primarily attributable to our share price increasing by approximately 2% during the second quarter of fiscal 2023, further impacted by an increase in the risk-free interest rate and a shorter expected time to maturity of the Tranche B Warrants.
- Increase in non-cash income of \$20.0 million related to fair value changes on acquisition related contingent consideration and other, from an expense amount of \$16.3 million in the second quarter of fiscal 2023 to an income amount of \$3.7 million in the second quarter of fiscal 2024. These fair value changes relate primarily to the estimated deferred payments associated with our investment in Wana, with the fair value changes in both periods primarily associated with changes in expectations of future cash flows to be generated by Wana.

- Increase in non-cash fair value gain of \$10.6 million related to fair value changes on warrant derivative liability, from an amount of \$nil in the second quarter of fiscal 2023 to a fair value gain of \$10.6 million in the second quarter of fiscal 2024. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the second quarter of fiscal 2024 was \$12.8 million, compared to income tax expense of \$8.2 million in the second quarter of fiscal 2023. In the second quarter of fiscal 2024, income tax expense consisted of deferred income tax expense of \$12.5 million (compared to an expense of \$6.4 million in the second quarter of fiscal 2023) and current income tax expense of \$0.3 million (compared to an expense of \$1.8 million in the second quarter of fiscal 2023).

The increase of \$6.1 million in the deferred income tax expense is primarily a result of (i) increase in the amount of settlements of the Canopy Notes, and (ii) decrease in the change in deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of property, plant and equipment, intangible assets, and other financial assets.

The decrease of \$1.5 million in current income tax expense arose primarily as a result of the reduction in the number of legal entities that generated income for tax purposes.

Net Loss from Continuing Operations

The net loss in the second quarter of fiscal 2024 was \$139.5 million, as compared to a net loss of \$196.5 million in the second quarter of fiscal 2023. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change from a loss on asset impairment and restructuring to a gain on asset impairment and restructuring; (ii) the year-over-year change in other income (expense), net, of \$80.6 million; and (iii) the decrease in selling, general and administrative expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	<u>(As Restated)</u>			
Net loss from continuing operations	\$ (139,547)	\$ (196,466)	\$ 56,919	29%
Income tax expense	12,821	8,220	4,601	56%
Other (income) expense, net	119,719	39,074	80,645	206%
Share-based compensation	2,717	9,573	(6,856)	(72%)
Acquisition, divestiture, and other costs	10,488	14,006	(3,518)	(25%)
Depreciation and amortization ¹	12,530	20,427	(7,897)	(39%)
(Gain)/loss on asset impairment and restructuring	(29,895)	43,968	(73,863)	(168%)
Restructuring costs recorded in cost of goods sold	(689)	4,822	(5,511)	(114%)
Adjusted EBITDA	\$ (11,856)	\$ (56,376)	\$ 44,520	79%

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the second quarter of fiscal 2024 was \$11.9 million, as compared to an Adjusted EBITDA loss of \$56.4 million in the second quarter of fiscal 2023. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin, and the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operation for the Six Months Ended September 30, 2023

	Six months ended September 30,			
	2023	2022	\$ Change	% Change
	(As Restated)			
Selected consolidated financial information:				
Net revenue	\$ 145,853	\$ 180,168	\$ (34,315)	(19%)
Gross margin percentage	25%	(2%)	-	2,700 bps
Net loss from continuing operations	\$ (150,116)	\$ (2,265,601)	\$ 2,115,485	93%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (150,116)	\$ (2,264,807)	\$ 2,114,691	93%
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (2.36)	\$ (52.14)	\$ 49.78	95%

¹For the six months ended September 30, 2023, the weighted average number of outstanding common shares, basic and diluted, totaled 63,383,000 (six months ended September 30, 2022 - 43,522,965).

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

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following tables present segmented net revenue, by channel and by form, for the six months ended September 30, 2023 and 2022:

	Six months ended September 30,			
	2023	2022	\$ Change	% Change
Net Revenue				
<i>(in thousands of Canadian dollars)</i>				
Canada cannabis				
Canadian adult-use cannabis				
Business-to-business ¹	\$ 48,205	\$ 51,857	\$ (3,652)	(7%)
Business-to-consumer	-	25,207	(25,207)	(100%)
	48,205	77,064	(28,859)	(37%)
Canadian medical cannabis ²	29,401	27,655	1,746	6%
	\$ 77,606	\$ 104,719	\$ (27,113)	(26%)
Rest-of-world cannabis ³	\$ 19,139	\$ 24,333	\$ (5,194)	(21%)
Storz & Bickel	\$ 30,064	\$ 29,137	\$ 927	3%
This Works	\$ 13,091	\$ 12,388	\$ 703	6%
Other	5,953	9,591	(3,638)	(38%)
Net revenue	\$ 145,853	\$ 180,168	\$ (34,315)	(19%)

¹Reflects excise taxes of \$21,855 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$1,370 for the six months ended September 30, 2023 (six months ended September 30, 2022 - excise taxes of \$22,957 and other revenue adjustments of \$903).

²Reflects excise taxes of \$3,012 for the six months ended September 30, 2023 (six months ended September 30, 2022 - \$2,286).

³Reflects other revenue adjustments of \$137 for the six months ended September 30, 2023 (six months ended September 30, 2022 - \$1,201).

Net revenue was \$145.9 million in the six months ended September 30, 2023, a decrease of \$34.3 million as compared to \$180.2 million in the six months ended September 30, 2022.

Canada cannabis

Net revenue from our Canada cannabis segment was \$77.6 million in the six months ended September 30, 2023, as compared to \$104.7 million in the six months ended September 30, 2022.

Canadian adult-use cannabis net revenue was \$48.2 million in the six months ended September 30, 2023, as compared to \$77.1 million in the six months ended September 30, 2022.

- Net revenue from the business-to-business channel was \$48.2 million in the six months ended September 30, 2023, as compared to \$51.9 million in the six months ended September 30, 2022. The year-over-year decrease is primarily attributable to lower sales volumes across our premium and value-priced categories which, for the value-priced category, is largely the result of a strategy shift. For the premium category, the decrease is primarily attributable to supply chain constraints and shortages of in-demand flower. This decrease was partially offset by increased sales of our mainstream brands, primarily resulting from improved product attributes and new products introduced under the Tweed brand.

- Revenue from the adult-use business-to-consumer channel was \$nil in the six months ended September 30, 2023, as compared to \$25.2 million in the six months ended September 30, 2022. The year-over-year decrease is attributable to the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Canadian medical cannabis net revenue was \$29.4 million in the six months ended September 30, 2023, as compared to \$27.7 million in the six months ended September 30, 2022. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to a shift in our customer mix, and a larger assortment of cannabis product choices offered to our customers. These factors were partially offset by a year-over-year decrease in the total number of medical orders, which we believe is attributable to a greater number of medical patients procuring product from the adult-use market.

Rest-of-world cannabis

Rest-of-world cannabis revenue was \$19.1 million in the six months ended September 30, 2023, as compared to \$24.3 million in the six months ended September 30, 2022. The year-over-year decrease is attributable to:

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

Storz & Bickel

Revenue from Storz & Bickel was \$30.1 million in the six months ended September 30, 2023, as compared to \$29.1 million in the six months ended September 30, 2022. The year-over-year increase is primarily attributable to the expansion of our distribution and retail channels in the United States, helped by favorable foreign currency translation and partially offset by timing of sales to distributors.

This Works

Revenue from This Works was \$13.1 million in the six months ended September 30, 2023, as compared to \$12.4 million in the six months ended September 30, 2022. The year-over-year increase is primarily attributable to an expanded product portfolio in our "Bodycare" line and continued success and strengthening sales velocity of our "In Transit" skincare product lineup, further supported by favorable foreign currency translations.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the six months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	<u>Six months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
Net revenue	\$ 145,853	\$ 180,168	\$ (34,315)	(19%)
Cost of goods sold	\$ 108,665	\$ 184,604	\$ (75,939)	(41%)
Gross margin	37,188	(4,436)	41,624	938%
Gross margin percentage	25%	(2%)	-	2,700 bps

Cost of goods sold was \$108.7 million in the six months ended September 30, 2023, as compared to \$184.6 million in the six months ended September 30, 2022. Our gross margin was \$37.2 million in the six months ended September 30, 2023, or 25% of net revenue, as compared to a gross margin of \$(4.4) million and gross margin percentage of (2%) of net revenue in the six months ended September 30, 2022. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) capturing of value from previously identified excess inventory;
- A year-over-year decrease in restructuring charges, from \$8.1 million in the first quarter of fiscal 2023 to \$nil in the first quarter of fiscal 2024. In the first six months of fiscal 2023, restructuring charges related primarily to inventory write-downs resulting from: (i) the strategic changes to our business that were initiated in the fourth quarter of fiscal 2022, including the shift to a contract manufacturing model for certain product format; and (ii) amounts deemed excess based on current and projected demand; and
- Improvement in our Rest-of-world cannabis and This Works segments, primarily due to lower excess and obsolete inventory charges in the second quarter of fiscal 2024.

The factors above, resulting in a year-over-year increase in our gross margin percentage, were partially offset by a decrease in the amount of payroll subsidies received from the Canadian government pursuant to a COVID-19 relief program, from \$1.6 million in the six months ended September 30, 2022 to \$nil in the six months ended September 30, 2023.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) rest-of-world cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the six months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars except where indicated)</i>	Six months ended September 30,		\$ Change	% Change
	2023	2022		
Canada cannabis segment				
Net revenue	\$ 77,606	\$ 104,719	\$ (27,113)	(26%)
Cost of goods sold	63,980	124,904	(60,924)	(49%)
Gross margin	13,626	(20,185)	33,811	168%
Gross margin percentage	18%	(19%)		3,700 bps
Rest-of-world cannabis segment				
Revenue	\$ 19,139	\$ 24,333	\$ (5,194)	(21%)
Cost of goods sold	12,967	25,825	(12,858)	(50%)
Gross margin	6,172	(1,492)	7,664	514%
Gross margin percentage	32%	(6%)		3,800 bps
Storz & Bickel segment				
Revenue	\$ 30,064	\$ 29,137	\$ 927	3%
Cost of goods sold	18,439	17,514	925	5%
Gross margin	11,625	11,623	2	0.02%
Gross margin percentage	39%	40%		(100) bps
This Works segment				
Revenue	\$ 13,091	\$ 12,388	\$ 703	6%
Cost of goods sold	6,810	7,438	(628)	(8%)
Gross margin	6,281	4,950	1,331	27%
Gross margin percentage	48%	40%		800 bps
Other				
Revenue	\$ 5,953	\$ 9,591	\$ (3,638)	(38%)
Cost of goods sold	6,469	8,923	(2,454)	(28%)
Gross margin	(516)	668	(1,184)	(177%)
Gross margin percentage	(9%)	7%		(1,600) bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$13.6 million in the six months ended September 30, 2023, or 18% of net revenue, as compared to \$(20.2) million in the six months ended September 30, 2022, or (19%) of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) capturing of value from previously identified excess inventory. These increases were partially offset by a decrease in the amount of payroll subsidies received from the Canadian government pursuant to a COVID-19 relief program, from \$1.6 million in the six months ended September 30, 2022 to \$nil in the six months ended September 30, 2023.

Rest-of-world cannabis

Gross margin for our rest-of-world cannabis segment was \$6.2 million in the six months ended September 30, 2023, or 32% of net revenue, as compared to \$(1.5) million in the six months ended September 30, 2022, or (6%) of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to an improvement in our U.S. CBD business, due primarily to the year-over-year decrease in restructuring charges, as we recorded charges of \$7.0 million in the six months ended September 30, 2022 relating to inventory write-downs resulting from strategic changes to our business. These charges decreased to \$nil in the six months

ended September 30, 2023 and the realized benefit of our cost savings program and the strategic changes made to our business, including the shift to a contract manufacturing model for certain product formats and the re-focusing of our U.S. CBD product and brand portfolio.

Partially offsetting the above was a shift in the business mix as compared to the six months ended September 30, 2022 resulting from higher sales in lower-margin geographies relative to the six months ended September 30, 2022.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$11.6 million in the six months ended September 30, 2023, or 39% of net revenue, as compared to \$11.6 million in the six months ended September 30, 2022, or 40% of net revenue. Gross margins were broadly consistent on a year-over-year basis.

This Works

Gross margin for our This Works segment was \$6.3 million in the six months ended September 30, 2023, or 48% of net revenue, as compared to \$5.0 million in the six months ended September 30, 2022, or 40% of net revenue. The year-over-year increase in the gross margin percentage is primarily due to lower excess and obsolete inventory charges in the six months ended September 30, 2023.

Operating Expenses

The following table presents operating expenses for the six months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		\$ Change	% Change
	2023	2022		
Operating expenses				
General and administrative	\$ 43,164	\$ 58,555	\$ (15,391)	(26%)
Sales and marketing	40,352	73,723	(33,371)	(45%)
Research and development	2,457	12,442	(9,985)	(80%)
Acquisition, divestiture, and other costs	19,392	18,199	1,193	7%
Depreciation and amortization	15,009	18,902	(3,893)	(21%)
Selling, general and administrative expenses	120,374	181,821	(61,447)	(34%)
Share-based compensation expense	6,434	14,838	(8,404)	(57%)
(Gain)/loss on asset impairment and restructuring	(27,961)	1,771,953	(1,799,914)	(102%)
Total operating expenses	<u>\$ 98,847</u>	<u>\$ 1,968,612</u>	<u>\$ (1,869,765)</u>	<u>(95%)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses were \$120.4 million in the six months ended September 30, 2023, as compared to \$181.8 million in the six months ended September 30, 2022.

General and administrative expense was \$43.2 million in the six months ended September 30, 2023, as compared to \$58.6 million in the six months ended September 30, 2022. The year-over-year decrease is primarily attributable to the impact of the restructuring actions and cost savings programs initiated in the fourth quarters of both fiscal 2022 and fiscal 2023. We realized reductions relative to the six months ended September 30, 2023 primarily in relation to: (i) compensation costs for finance, information technology, legal and other administrative functions; and (ii) a reduction in facilities and insurance costs. The decrease noted above was partially offset by a year-over-year decrease in the amount of payroll subsidies received from the Canadian government pursuant to a COVID-19 relief program, from \$2.9 million received in the six months ended September 30, 2022 to \$nil in the six months ended September 30, 2023.

Sales and marketing expense was \$40.4 million in the six months ended September 30, 2023, as compared to \$73.7 million in the six months ended September 30, 2022. The year-over-year decrease is primarily attributable to: (i) the divestiture of our retail business in Canada in the third quarter of fiscal 2023; (ii) cost reductions related to the previously-noted restructuring actions and cost savings programs, which resulted in a rationalization of our sales and marketing spending in certain areas of our business, particularly for our Canadian cannabis and U.S. CBD businesses, and a reduction in compensation costs.

Research and development expense was \$2.5 million in the six months ended September 30, 2023, as compared to \$12.4 million in the six months ended September 30, 2022. The year-over-year decrease is primarily attributable to cost reductions associated with the previously-noted restructuring actions and cost savings programs, as we: (i) continued to realize reductions in compensation costs and curtail research and development projects; and (ii) shifted to outsourced contract model for certain research and development projects.

Acquisition, divestiture, and other costs were \$19.4 million in the six months ended September 30, 2023, as compared to \$18.2 million in the six months ended September 30, 2022. In the six months ended September 30, 2023, costs were incurred primarily in relation to:

- Approximately \$6.5 million of costs relating to the modification of the Credit Agreement that occurred in July 2023.
- Approximately \$6.8 million of legal and audit costs related to the restatement of our consolidated financial statements for the previously filed Prior Periods, in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023; and
- The reorganization, including the creation of Canopy USA.

Comparatively, in the six months ended September 30, 2022, costs were incurred primarily in relation to the reorganization of Canopy USA and the planned divestiture of certain of our corporate-owned retail stores, and evaluating other potential acquisition opportunities.

Depreciation and amortization expense was \$15.0 million in the six months ended September 30, 2023, as compared to \$18.9 million in the six months ended September 30, 2022. The year-over-year decrease is primarily attributable to: (i) the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Share-based compensation expense

Share-based compensation expense was \$6.4 million in the six months ended September 30, 2023, as compared to \$14.8 million in the six months ended September 30, 2022. The year-over-year decrease is primarily attributable to the impact of our previously-noted restructuring actions, which resulted in forfeitures of stock options, restricted share units and performance units and results in lower relative expenses in future periods. While 24.0 million stock options were granted in the first quarter of fiscal 2024 and 15.1 million restricted share units were granted in the second quarter of fiscal 2024, the associated expense relating to both items partially offset the decrease noted. However, the impact was limited because the stock options and restricted share units were only issued part-way through the period.

(Gain)/loss on asset impairment and restructuring

(Gain)/loss on asset impairment and restructuring recorded in operating expenses were \$(28.0) million in the six months ended September 30, 2023, as compared to \$1.8 billion in the six months ended September 30, 2022.

Gain on asset impairment and restructuring recorded in the six months ended September 30, 2023 were primarily related a gain on the sale of our production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain is due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023. This reversal was partially offset by various incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023.

Comparatively, in the six months ended September 30, 2022, the loss on asset impairment and restructuring were primarily related to:

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

Other

The following table presents other income (expense), net, and income tax expense for the six months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	<u>Six months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	<i>(As Restated)</i>			
Other income (expense), net	(73,618)	(280,584)	206,966	74%
Income tax expense	(14,839)	(11,969)	(2,870)	(24%)

Other income (expense), net

Other income (expense), net was an expense amount of \$73.6 million in the six months ended September 30, 2023, as compared to an expense amount of \$280.6 million in the six months ended September 30, 2022. The year-over-year change of \$207.0 million is primarily attributable to:

- Change of \$283.8 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$300.9 million in the six months ended September 30, 2022 to \$17.2 million in the six months ended September 30, 2023. The expense amount recognized in the six months ended September 30, 2023 is primarily attributable to fair value decreases relating to our investments in:
 - The Wana financial instrument, in the amount of \$49.1 million, primarily attributable to changes in expectations of future cash flows to be generated by Wana;
 - The Jetty financial instrument, in the amount of \$17.3 million, primarily attributable to changes in expectations of future cash flows to be generated by Jetty; and
 - The Hempco Debenture, in the amount of \$17.9 million, primarily attributable to changes in expectations of future cash flows to be received.

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

- The Acreage financial instrument, in the amount of \$21.3 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value increase in the six months ended September 30, 2023 is primarily attributable to a decrease of approximately 56% in our share price during the six months ended September 30, 2023, relative to a decrease of approximately 29% in Acreage's share price during that same period. As a result, the model at September 30, 2023 reflects both a lower estimated value of the Canopy Growth common shares expected to be issued upon a Triggering Event, and a lower estimated value of the Acreage shares expected to be acquired at that time. In the six months ended September 30, 2023, the relative share price movements resulted in an increase in the value of the Acreage financial instrument;
- The TerrAscend Exchangeable Shares, in the amount of \$33.1 million, primarily attributable to an increase of approximately 35% in TerrAscend's share price during the six months ended September 30, 2023; and
- The TerrAscend Warrants, in the amount of \$13.2 million, primarily attributable to an increase of approximately 35% in TerrAscend's share price during the six months ended September 30, 2023.

Comparatively, the expense amount in the six months ended September 30, 2022 was primarily attributable to fair value decreases relating to our investments in: (i) the TerrAscend Exchangeable Shares (\$175.5 million); (ii) the secured debentures issued by TerrAscend Canada and Arise Bioscience and associated Prior Warrants (totaling \$68.6 million); and (iii) the TerrAscend Option (\$4.9 million), which were all driven largely by a decrease of approximately 75% in TerrAscend's share price in the six months ended September 30, 2022. Additionally, the fair value of our investment in the Wana financial instrument decreased \$119.2 million, due primarily to changes in expectations of the future cash flows to be generated by Wana. The fair value decreases were partially offset by a fair value increase related to the Acreage financial instrument in the amount of \$72.0 million, as described below in our discussion of the fair value changes on the liability arising from the Acreage Amended Arrangement.

- Increase of \$7.9 million related to charges associated with the settlement of our debt, from \$4.7 million expense in the six months ended September 30, 2022 to \$12.6 million expense in the six months ended September 30, 2023. In the six months ended September 30, 2023 we recognized charges of \$12.6 million, primarily in connection with the conversion of US\$150.0 million aggregate principal amount of senior unsecured convertible debentures of the Company (the "February 2023 Convertible Debentures") into Canopy Shares at a conversion price of 92.5% of the volume-weighted average price of our Canopy Shares during the three consecutive trading days ending on the business day immediately prior to the date of conversion and the Company's paydowns of outstanding principal amounts under the Credit Facility in the second quarter of fiscal 2024 which resulted in a principal reduction of \$73,313 (US\$54,491) for a cash payment of \$69,647 (US\$51,766) and included write-offs of the related deferred financing costs. These charges were partially offset by a gain recognized upon the second payment made in connection with the paydown of the Credit Facility made on April 17, 2023, as we repaid \$125.6 million (US\$93.8 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000. Comparatively, in the six months ended September 30, 2022, we recognized charges in the amount of \$4.7 million in connection with the 2022 Exchange Transaction. These charges primarily include: (i) the recognition of, and fair value changes through to the final closing of the 2022 Exchange Transaction (the "Final Closing") on, a derivative liability in connection with the incremental common shares that were potentially issuable as at June 30, 2022 based on the volume-weighted average trading price of the Canopy 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") on the Final Closing, pursuant to the 2022 Exchange Agreements; and (ii) professional fees associated with the 2022 Exchange Transaction. These charges were

partially offset by the release of amounts recorded in accumulated other comprehensive income in relation to the credit risk fair value adjustment associated with the portion of the Canopy Notes that were acquired and cancelled in June and July 2022.

- Change of \$1.8 million related to non-cash fair value changes on our debt, from an expense amount of \$23.4 million in the six months ended September 30, 2022 to an expense amount of \$25.2 million in the six months ended September 30, 2023. The year-over-year change, is primarily attributable to the fair value changes on the unsecured non-interest bearing convertible debentures, partially offset by the fair value changes on the CBI Note, and the fair value change of the unsecured senior notes prior to redemption in July 2023; compared to the fair value change of the unsecured senior notes in the six months ended September 30, 2022.
- Decrease in non-cash income of \$26.2 million related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants, from an income amount of \$26.2 million in the six months ended September 30, 2022 to a fair value change of \$nil in the six months ended September 30, 2023. The fair value change of \$nil in the six months ended September 30, 2023 is the result of the fair value of the warrant derivative liability decreasing to \$nil in the fourth quarter of fiscal 2023, and remaining at \$nil as of September 30, 2023 as our share price declined approximately 56% in the six months ended September 30, 2023. Comparatively, the income amount recognized in the six months ended September 30, 2022 of \$26.2 million, associated with a decrease in the fair value of the warrant derivative liability, was primarily attributable to a decrease of approximately 60% in our common share price during the six months ended September 30, 2022, further impacted by an increase in the risk-free interest rate and a shorter expected time to maturity of the Tranche B Warrants.
- Decrease in non-cash income of \$13.6 million related to fair value changes on acquisition related contingent consideration and other, from \$24.1 million in the six months ended September 30, 2022 to \$10.5 million in the six months ended September 30, 2023. These fair value changes relate primarily to the estimated deferred payments associated with our investment in Wana, with the fair value changes in both periods primarily associated with changes in expectations of future cash flows to be generated by Wana.
- Decrease in non-cash income of \$47.0 million related to the fair value changes on the liability arising from the Acreage Amended Arrangement, from an income amount of \$47.0 million in the six months ended September 30, 2022 to a fair value change of \$nil in the six months ended September 30, 2023. The fair value change of \$nil associated with the Acreage financial instrument in the six months ended September 30, 2023 is a result of the change from a liability amount to an asset amount recorded in other financial assets; in the six months ended September 30, 2023, the fair value of the Acreage financial instrument increased, as explained above, and remained in an asset position. Comparatively, the income amount recognized in the six months ended September 30, 2022, associated with a decrease in the liability arising from the Acreage Amended Arrangement to \$nil, was primarily attributable to a decrease of approximately 60% in our share price in the six months ended September 30, 2022, relative to a decrease of approximately 27% in Acreage's share price during that same period. As a result, the probability-weighted expected return model used to determine the fair value of the liability arising from the Acreage Amended Arrangement at September 30, 2022 reflected a lower estimated value of the Canopy Growth common shares expected to be issued at the exchange ratio of 0.3048 upon a Triggering Event, relative to the estimated value of the Fixed Shares expected to be acquired at that time (changes in our share price have a more significant impact on the model relative to changes in Acreage's share price); in the six months ended September 30, 2022, this resulted in a change from a liability amount to an asset amount.
- Increase in non-cash fair value gain of \$10.6 million related to fair value changes on warrant derivative liability, from an amount of \$nil in the six months ended September 30, 2022 to a fair value gain of \$10.6 million in the six months ended September 30, 2023. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the six months ended September 30, 2023 was \$14.8 million, compared to income tax expense of \$12.0 million in the six months ended September 30, 2022. In the six months ended September 30, 2023, income tax expense consisted of deferred income tax expense of \$14.0 million (compared to an expense of \$8.8 million in the six months ended September 30, 2022) and current income tax expense of \$0.8 million (compared to an expense of \$3.1 million in the six months ended September 30, 2022).

The increase of \$5.2 million in the deferred income tax expense is primarily a result of (i) an increase due to the settlements of the Canopy Notes; and (ii) decrease in the change in deferred tax liabilities that arose in connection with the required revaluation of the accounting carrying value, but not the tax basis, of property, plant and equipment, intangible assets, and other financial assets.

The decrease of \$2.4 million in current income tax expense arose primarily as a result of the reduction in the number of legal entities that generated income for tax purposes.

Net Loss from Continuing Operations

The net loss in the six months ended September 30, 2023 was \$150.1 million, as compared to a net loss of \$2.3 billion in the six months ended September 30, 2022. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year

change from a loss on asset impairment and restructuring with respect to goodwill impairment losses of \$1.7 billion recorded in the six months ended September 30, 2022 to a gain on asset impairment and restructuring; (ii) the year-over-year change in other income (expense), net, of \$207.0 million; and (iii) the decrease in selling, general and administrative expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the six months ended September 30, 2023 and 2022:

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(As Restated)			
Net loss from continuing operations	\$ (150,116)	\$ (2,265,601)	\$ 2,115,485	93%
Income tax expense	14,839	11,969	2,870	24%
Other (income) expense, net	73,618	280,584	(206,966)	(74%)
Share-based compensation	6,434	14,838	(8,404)	(57%)
Acquisition, divestiture, and other costs	19,392	18,199	1,193	7%
Depreciation and amortization ¹	29,641	41,424	(11,783)	(28%)
(Gain)/loss on asset impairment and restructuring	(27,961)	1,771,953	(1,799,914)	(102%)
Restructuring costs recorded in cost of goods sold	(689)	8,122	(8,811)	(108%)
Adjusted EBITDA	<u>\$ (34,842)</u>	<u>\$ (118,512)</u>	<u>\$ 83,670</u>	<u>71%</u>

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the six months ended September 30, 2023 was \$34.8 million, as compared to an Adjusted EBITDA loss of \$118.5 million in the six months ended September 30, 2022. The year-over-year decrease in the Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin, and the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operations for the Three and Nine Months Ended December 31, 2023

Discussion of Third Quarter of Fiscal 2024 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Three months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(As Restated)			
Selected consolidated financial information:				
Net revenue	\$ 78,505	\$ 84,850	\$ (6,345)	(7%)
Gross margin percentage	36%	6%	-	3,000 bps
Net loss from continuing operations	\$ (219,143)	\$ (226,844)	\$ 7,701	3%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (219,143)	\$ (226,302)	\$ 7,159	3%
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (2.65)	\$ (4.66)	\$ 2.01	43%

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

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

Revenue

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

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

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

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

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

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

Canada cannabis

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

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

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

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

Rest-of-world cannabis

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

Storz & Bickel

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

This Works

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

Cost of Goods Sold and Gross Margin

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

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

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

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

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

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

Canada cannabis

Gross margin for our Canada cannabis segment was \$11.1 million in the third quarter of fiscal 2024, or 28% of net revenue, as compared to \$(5.3) million in the third quarter of fiscal 2023, or (11%) of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2022 and the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) opportunistic utilization of lower cost inputs.

Rest-of-world cannabis

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

Storz & Bickel

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

This Works

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

Operating Expenses

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

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

Selling, general and administrative expenses

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

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

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

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

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

- Approximately \$2.4 million of additional advisory fees relating to the modification of the Credit Agreement that occurred in July 2023.
- Approximately \$2.0 million of legal and audit costs related to the restatement of our consolidated financial statements for the previously filed Prior Periods, in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023; and
- The reorganization of Canopy USA.

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

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

cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) the divestiture of our retail business in Canada in the third quarter of fiscal 2023.

Share-based compensation expense

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

Loss on asset impairment and restructuring

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

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

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

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

Other

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

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(As Restated)			
Other income (expense), net	(159,904)	(115,490)	(44,414)	(38%)
Income tax recovery	1,077	1,336	(259)	(19%)

Other income (expense), net

Other income (expense), net was an expense amount of \$159.9 million in the third quarter of fiscal 2024, as compared to an expense amount of \$115.5 million in the third quarter of fiscal 2023. The year-over-year change of \$44.4 million is primarily attributable to:

- Change of \$50.9 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$95.8 million in the third quarter of fiscal 2023 to an expense of \$146.7 million in the third quarter of fiscal 2024. The expense amount recognized in the third quarter of fiscal 2024 is primarily attributable to fair value decreases relating to our investments in:
 - The Wana financial instrument, in the amount of \$62.6 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Wana;
 - The Acreage financial instrument, in the amount of \$43.6 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the third quarter of fiscal 2024 is primarily attributable to a decrease of approximately 36% in our share price during the third quarter of

fiscal 2024, relative to a decrease of approximately 54% in Acreage's share price during that same period. As a result, the model at December 31, 2023 reflects both a lower estimated value of the Canopy Shares expected to be issued upon a Triggering Event, and a lower estimated value of the Acreage shares expected to be acquired at that time. In the third quarter of fiscal 2024, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument;

- The TerrAscend Exchangeable Shares, in the amount of \$22.9 million, which was primarily attributable to a decrease of approximately 21% in TerrAscend's share price during the third quarter of fiscal 2024;
- The TerrAscend Warrants, in the amount of \$10.5 million, which was primarily attributable to a decrease of approximately 21% in TerrAscend's share price during the third quarter of fiscal 2024; and
- The Jetty financial instrument, in the amount of \$9.9 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Jetty.

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

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

Comparatively, the expense amount in the third quarter of fiscal 2023 was primarily attributable to fair value decreases relating to our investments in: (i) the TerrAscend Exchangeable Shares (\$31.5 million); (ii) the TerrAscend Warrants (\$17.5 million); (iii) the Acreage call option (\$35.0 million); (iv) the Wana financial instrument (\$16.2 million); and (v) the Jetty financial instrument (\$10.2 million). The fair value decreases were partially offset by fair value increases associated with the secured debentures issued by TerrAscend Canada and Arise Bioscience and the associated Prior Warrants, up to the closing of the transactions contemplated in connection with the debt settlement agreement dated December 9, 2022 between Canopy USA, certain limited partnerships controlled by Canopy USA, TerrAscend, TerrAscend Canada and Arise Bioscience (totaling \$9.9 million).

- Change of \$9.5 million related to charges associated with the settlement of our debt, from an income amount of \$8.9 million in the third quarter of fiscal 2023 to an expense amount of \$0.6 million in the third quarter of fiscal 2024. In the third quarter of fiscal 2024 we recognized charges of \$0.6 million, primarily in connection with principal repayments on the Credit Facility. The Third Quarter 2024 Paydowns (as defined below) resulted in a principal reduction of \$65,379 (US\$48,532) for a cash payment of \$63,167 (US\$46,902) and included write-offs of the related deferred financing costs. Comparatively, in the third quarter of fiscal 2023, we recognized a gain in the amount of \$8.9 million in connection with the first payment made in connection with the paydown on November 10, 2022, as we repaid \$126.3 million (US\$94.4 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000.
- Decrease in expense of \$3.6 million related to non-cash fair value changes on our debt, from \$9.0 million in the third quarter of fiscal 2023 to \$5.4 million in the third quarter of fiscal 2024. The year-over-year change is driven by the fair value change of the unsecured senior notes in the third quarter of fiscal 2023 versus the fair value changes on the CBI Note in the third quarter of fiscal 2024.
- Decrease in non-cash income of \$6.9 million related to fair value changes on acquisition related contingent consideration and other, from \$1.8 million in the third quarter of fiscal 2023 to \$8.6 million in the third quarter of fiscal 2024. These fair value changes relate primarily to the estimated deferred payments associated with our investment in Wana, with the fair value changes in both periods primarily associated with changes in expectations of future cash flows to be generated by Wana.
- Increase in non-cash fair value gain of \$11.1 million related to fair value changes on warrant derivative liability, from an amount of \$nil in the third quarter of fiscal 2023 to a fair value gain of \$11.1 million in the third quarter of fiscal 2024. The fair value change was driven by the decrease in our share price during the period.

Income tax recovery

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

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

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

Net Loss from Continuing Operations

The net loss from continuing operations in the third quarter of fiscal 2024 was \$219.1 million, as compared to a net loss of \$226.8 million in the third quarter of fiscal 2023. The year-over-year decrease in the net loss is primarily attributable to the decrease in selling, general and administrative expenses, offset by (i) the year-over-year increase in loss on asset impairment and restructuring; and (ii) the year-over-year change in other income (expense), net, of \$44.4 million. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

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

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2023	2022		
	(As Restated)			
Net loss from continuing operations	\$ (219,143)	\$ (226,844)	\$ 7,701	3%
Income tax recovery	(1,077)	(1,336)	259	19%
Other (income) expense, net	159,904	115,490	44,414	38%
Share-based compensation	3,693	6,055	(2,362)	(39%)
Acquisition, divestiture, and other costs	4,981	13,347	(8,366)	(63%)
Depreciation and amortization ¹	12,240	19,308	(7,068)	(37%)
Loss on asset impairment and restructuring	30,413	22,259	8,154	37%
Restructuring costs recorded in cost of goods sold	-	2,007	(2,007)	(100%)
Adjusted EBITDA	<u>\$ (8,989)</u>	<u>\$ (49,714)</u>	<u>\$ 40,725</u>	<u>82%</u>

¹ From Consolidated Statements of Cash Flows.

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

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

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Nine months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2023	2022		
	(As Restated)			
Selected consolidated financial information:				
Net revenue	\$ 224,358	\$ 265,018	\$ (40,660)	(15%)
Gross margin percentage	29%	0%	-	2,900 bps
Net loss from continuing operations	\$ (369,260)	\$ (2,492,445)	\$ 2,123,185	85%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (369,260)	\$ (2,491,109)	\$ 2,121,849	85%
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (5.28)	\$ (54.96)	\$ 49.68	90%

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

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

Revenue

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

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

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

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

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

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

Canada cannabis

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

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

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

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

Rest-of-world cannabis

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

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

Storz & Bickel

Revenue from Storz & Bickel was \$48.5 million in the nine months ended December 31, 2023, as compared to \$49.4 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to production constraints and ramp-

up of newly launched portable vaporizer in the second quarter of fiscal 2024, offset by the expansion of our distribution and retail channels in the United States, helped by favorable foreign currency translation.

This Works

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

Cost of Goods Sold and Gross Margin

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

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

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

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

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

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

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

Canada cannabis

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

Rest-of-world cannabis

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

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

Storz & Bickel

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

This Works

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

Operating Expenses

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

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

Selling, general and administrative expenses

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

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

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

Research and development expense was \$3.8 million in the nine months ended December 31, 2023, as compared to \$17.3 million in the nine months ended December 31, 2022. The year-over-year decrease is primarily attributable to cost reductions associated with the previously-noted restructuring actions and cost savings programs, as we: (i) continued to realize reductions in compensation costs and curtail research and development projects; and (ii) shifted to outsourced contract model for certain research and development projects.

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

- Approximately \$8.9 million of costs relating to the modification of the Credit Agreement that occurred in July 2023.
- Approximately \$8.8 million of legal and audit costs related to the restatement of our consolidated financial statements for the previously filed Prior Periods, in connection with the correction of material misstatement arising from an internal review of financial reporting matters related to sales in the BioSteel business unit that were accounted for incorrectly, and the filing of our Annual Report on Form 10-K for the fiscal years ended March 31, 2023 and 2022 in June 2023;
- The reorganization of Canopy USA; and
- Evaluating other potential acquisition opportunities.

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

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

Share-based compensation expense

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

Loss on asset impairment and restructuring

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

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

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

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

Other

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

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
	(As Restated)			
Other income (expense), net	(233,523)	(396,074)	162,551	41%
Income tax expense	(13,762)	(10,633)	(3,129)	(29%)

Other income (expense), net

Other income (expense), net was an expense amount of \$233.5 million in the nine months ended December 31, 2023, as compared to an expense amount of \$396.1 million in the nine months ended December 31, 2022. The year-over-year change of \$162.6 million is primarily attributable to:

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

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

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

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

- Increase of \$17.3 million related to charges associated with the settlement of our debt, from \$4.2 million income in the nine months ended December 31, 2022 to \$13.1 million expense in the nine months ended December 31, 2023. In the nine months ended December 31, 2023 we recognized charges of \$13.1 million, primarily in connection with the conversion of the February 2023 Convertible Debentures into Canopy Shares at a conversion price of 92.5% of the volume-weighted average price of our Canopy Shares during the three consecutive trading days ending on the business day immediately prior to the date of conversion and the Second Quarter 2024 Paydowns (as defined below) and Third Quarter 2024 Paydowns which resulted in a principal reduction of \$73,313 (US\$54,491) and \$65,379 (US\$48,532), respectively, for a cash payment of \$69,647 (US\$51,766) and \$63,167 (US\$46,902), respectively, and included write-offs of the related deferred financing costs. These charges were partially offset by a gain recognized upon the second payment made in connection with the paydown of the

Credit Facility made on April 17, 2023, as we repaid \$125.6 million (US\$93.8 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000.

- Comparatively, in the nine months ended December 31, 2022, we recognized income in the amount of \$4.2 million primarily relating to: (i) the gain recognized upon the first payment made in connection with the paydown on November 10, 2022, as we repaid \$126.3 million (US\$94.4 million) of the principal amount outstanding under the Credit Agreement at a discounted price of US\$930 per US\$1,000; and (ii) the release of amounts recorded in accumulated other comprehensive income in relation to the credit risk fair value adjustment associated with the portion of the Canopy Notes that were acquired and cancelled in June and July 2022. These were offset by charges relating to the 2022 Exchange Transaction and primarily include: (i) the recognition of, and fair value changes through to the Final Closing on, a derivative liability in connection with the incremental common shares that were potentially issuable as at June 30, 2022 at the Averaging Price on the Final Closing, pursuant to the 2022 Exchange Agreements; and (ii) professional fees associated with the 2022 Exchange Transaction.
- Change of \$1.8 million related to non-cash fair value changes on our debt, from an expense amount of \$32.4 million in the nine months ended December 31, 2022 to an expense amount of \$30.6 million in the nine months ended December 31, 2023. The year-over-year change, is primarily attributable to the fair value changes on the unsecured non-interest bearing convertible debentures, partially offset by the fair value changes on the CBI Note, and the fair value change of the unsecured senior notes prior to redemption in July 2023; compared to the fair value change of the unsecured senior notes in the nine months ended December 31, 2022.
- Decrease in non-cash income of \$26.3 million related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants, from an income amount of \$26.3 million in the nine months ended December 31, 2022 to a fair value change of \$nil in the nine months ended December 31, 2023. The fair value change of \$nil in the nine months ended December 31, 2023 is the result of the fair value of the warrant derivative liability decreasing to \$nil in the fourth quarter of fiscal 2023, and expiring as of November 1, 2023. Comparatively, the income amount recognized in the nine months ended December 31, 2022 of \$26.3 million, associated with a decrease in the fair value of the warrant derivative liability, was primarily attributable to a decrease of approximately 67% in our common share price during the nine months ended December 31, 2022, further impacted by an increase in the risk-free interest rate and a shorter expected time to maturity of the Tranche B Warrants.
- Decrease in non-cash income of \$6.8 million related to fair value changes on acquisition related contingent consideration and other, from \$25.9 million in the nine months ended December 31, 2022 to \$19.1 million in the nine months ended December 31, 2023. These fair value changes relate primarily to the estimated deferred payments associated with our investment in Wana, with the fair value changes in both periods primarily associated with changes in expectations of future cash flows to be generated by Wana.
- Decrease in non-cash income of \$47.0 million related to the fair value changes on the liability arising from the Acreage Amended Arrangement, from an income amount of \$47.0 million in the nine months ended December 31, 2022 to a fair value change of \$nil in the nine months ended December 31, 2023. The fair value change of \$nil associated with the Acreage financial instrument in the nine months ended December 31, 2023 is a result of the change from a liability amount to an asset amount recorded in other financial assets; in the nine months ended December 31, 2023, the fair value of the Acreage financial instrument increased, as explained above, and remained in an asset position. Comparatively, the income amount recognized in the nine months ended December 31, 2022, associated with a decrease in the liability arising from the Acreage Amended Arrangement to \$nil, was primarily attributable to a decrease of approximately 61% in our share price during the first quarter of fiscal 2023, relative to a decrease of approximately 27% in Acreage's share price during that same period. As a result, the probability-weighted expected return model used to determine the fair value of the liability arising from the Acreage Amended Arrangement at June 30, 2022 reflected a lower estimated value of the Canopy Growth common shares expected to be issued at the exchange ratio of 0.03048 upon a Triggering Event, relative to the estimated value of the Fixed Shares expected to be acquired at that time (changes in our share price have a more significant impact on the model relative to changes in Acreage's share price); in the first quarter of fiscal 2023, this resulted in a change from a liability amount to an asset amount.
- Increase in non-cash fair value gain of \$21.7 million related to fair value changes on warrant derivative liability, from an amount of \$nil in the nine months ended December 31, 2022 to a fair value gain of \$21.7 million in the nine months ended December 31, 2023. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the nine months ended December 31, 2023 was \$13.8 million, compared to income tax expense of \$10.6 million in the nine months ended December 31, 2022. In the nine months ended December 31, 2023, income tax expense consisted of deferred income tax expense of \$13.4 million (compared to an expense of \$7.0 million in the nine months ended December 31, 2022) and current income tax expense of \$0.4 million (compared to an expense of \$3.6 million in the nine months ended December 31, 2022).

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

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

Net Loss from Continuing Operations

The net loss in the nine months ended December 31, 2023 was \$369.3 million, as compared to a net loss of \$2.5 billion in the nine months ended December 31, 2022. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change from a loss on asset impairment and restructuring with respect to goodwill impairment losses of \$1.7 billion recorded in the nine months ended December 31, 2022 to a gain on asset impairment and restructuring; (ii) the year-over-year change in other income (expense), net, of \$162.6 million; and (iii) the decrease in selling, general and administrative expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

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

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2023	2022		
	<i>(As Restated)</i>			
Net loss from continuing operations	\$ (369,260)	\$ (2,492,445)	\$ 2,123,185	85%
Income tax expense	13,762	10,633	3,129	29%
Other (income) expense, net	233,523	396,074	(162,551)	(41%)
Share-based compensation	10,127	20,893	(10,766)	(52%)
Acquisition, divestiture, and other costs	24,373	31,546	(7,173)	(23%)
Depreciation and amortization ¹	41,881	60,732	(18,851)	(31%)
Loss on asset impairment and restructuring	2,452	1,794,212	(1,791,760)	(100%)
Restructuring costs recorded in cost of goods sold	(689)	10,129	(10,818)	(107%)
Adjusted EBITDA	<u>\$ (43,831)</u>	<u>\$ (168,226)</u>	<u>\$ 124,395</u>	<u>74%</u>

¹ From Consolidated Statements of Cash Flows.

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

Discussion of Results of Operations for the Three Months Ended June 30, 2024

Discussion of First Quarter of Fiscal 2025 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Three months ended June 30,		\$ Change	% Change
	2024	2023		
	<i>(As Restated)</i>			
Selected consolidated financial information:				
Net revenue	\$ 66,212	\$ 76,258	\$ (10,046)	(13%)
Gross margin percentage	35%	18%	-	1,700 bps
Net loss from continuing operations	\$ (107,928)	\$ (10,569)	\$ (97,359)	(921%)
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (107,928)	\$ (10,569)	\$ (97,359)	(921%)
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (1.36)	\$ (0.19)	\$ (1.17)	(616%)

¹ For the three months ended June 30, 2024, the weighted average number of outstanding common shares, basic and diluted, totaled 79,243,020 (three months ended June 30, 2023 - 55,045,936).

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

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the three months ended June 30, 2024 and 2023:

Net Revenue*(in thousands of Canadian dollars)*

	Three months ended June 30,		\$ Change	% Change
	2024	2023		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 18,883	\$ 24,271	\$ (5,388)	(22%)
Canadian medical cannabis ²	18,795	15,622	3,173	20%
	\$ 37,678	\$ 39,893	\$ (2,215)	(6%)
International markets cannabis³	\$ 10,082	\$ 10,162	\$ (80)	(1%)
Storz & Bickel	\$ 18,452	\$ 18,073	\$ 379	2%
This Works	\$ -	\$ 6,017	\$ (6,017)	(100%)
Other	-	2,113	(2,113)	(100%)
Net revenue	\$ 66,212	\$ 76,258	\$ (10,046)	(13%)

¹ Reflects excise taxes of \$7,517 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$1,200 for the three months ended June 30, 2024 (three months ended June 30, 2023 - excise taxes of \$11,026 and other revenue adjustments of \$870).

² Reflects excise taxes of \$2,054 for the three months ended June 30, 2024 (three months ended June 30, 2023 - \$1,360).

³ Reflects other revenue adjustments of \$nil for the three months ended June 30, 2024 (three months ended June 30, 2023 - \$67).

Net revenue was \$66.2 million in the first quarter of fiscal 2025, a decrease of \$10.0 million as compared to \$76.3 million in the first quarter of fiscal 2024.

Canada cannabis

Net revenue from our Canada cannabis segment was \$37.7 million in the first quarter of fiscal 2025, as compared to \$39.9 million in the first quarter of fiscal 2024.

Canadian adult-use cannabis net revenue was \$18.9 million in the first quarter of fiscal 2025, as compared to \$24.3 million in the first quarter of fiscal 2024. The year-over-year decrease is primarily attributable to lower sales volumes, which were partially affected by supply constraints for certain products as a result of financial difficulties with our contract manufacturers and lower sales velocity due to increased price competition.

Canadian medical cannabis net revenue was \$18.8 million in the first quarter of fiscal 2025, as compared to \$15.6 million in the first quarter of fiscal 2024. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers. These factors were partially offset by a year-over-year decrease in the total number of medical orders, which was primarily related to the increasing number of adult-use cannabis retail stores across Canada.

International markets cannabis

International markets cannabis revenue was \$10.1 million in the first quarter of fiscal 2025, as compared to \$10.2 million in the first quarter of fiscal 2024. Revenues are flat year-over-year as the increased shipments of high quality flower products in Europe, driven by Poland, was offset by a decline in our Australian medical business.

Storz & Bickel

Revenue from Storz & Bickel was \$18.5 million in the first quarter of fiscal 2025, as compared to \$18.1 million in the first quarter of fiscal 2024. Revenues are up 2% year-over-year due to strong growth of our Mighty vaporizer and contribution from our newly launched portable vaporizer in the third quarter of fiscal 2024.

This Works

Revenue from This Works was \$nil in the first quarter of fiscal 2025, as compared to \$6.0 million in the first quarter of fiscal 2024. The year-over-year decrease is due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended June 30, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended June 30,		\$ Change	% Change
	2024	2023		
Net revenue	\$ 66,212	\$ 76,258	\$ (10,046)	(13%)
Cost of goods sold	\$ 43,181	\$ 62,496	\$ (19,315)	(31%)
Gross margin	23,031	13,762	9,269	67%
Gross margin percentage	35%	18%	-	1,700 bps

Cost of goods sold was \$43.2 million in the first quarter of fiscal 2025, as compared to \$62.5 million in the first quarter of fiscal 2024. Our gross margin was \$23.0 million in the first quarter of fiscal 2025, or 35% of net revenue, as compared to a gross margin of \$13.8 million and gross margin percentage of 18% of net revenue in the first quarter of fiscal 2024. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) a shift in channel mix to higher margin medical sales; and
- Improvement in our international markets cannabis segment, primarily due to an increase in sales mix to higher-margin Poland as well as a lower overall cost structure.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the three months ended June 30, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended June 30,		\$ Change	% Change
	2024	2023		
Canada cannabis segment				
Net revenue	\$ 37,678	\$ 39,893	\$ (2,215)	(6%)
Cost of goods sold	25,584	40,161	(14,577)	(36%)
Gross margin	12,094	(268)	12,362	(4,613%)
Gross margin percentage	32%	(1%)		3,300 bps
International markets cannabis segment				
Revenue	\$ 10,082	\$ 10,162	\$ (80)	(1%)
Cost of goods sold	6,457	6,681	(224)	(3%)
Gross margin	3,625	3,481	144	4%
Gross margin percentage	36%	34%		200 bps
Storz & Bickel segment				
Revenue	\$ 18,452	\$ 18,073	\$ 379	2%
Cost of goods sold	11,140	10,366	774	7%
Gross margin	7,312	7,707	(395)	(5%)
Gross margin percentage	40%	43%		(300) bps
This Works segment				
Revenue	\$ -	\$ 6,017	\$ (6,017)	(100%)
Cost of goods sold	-	3,122	(3,122)	(100%)
Gross margin	-	2,895	(2,895)	(100%)
Gross margin percentage	-%	48%		(4,800) bps
Other				
Revenue	\$ -	\$ 2,113	\$ (2,113)	(100%)
Cost of goods sold	-	2,166	(2,166)	(100%)
Gross margin	-	(53)	53	100%
Gross margin percentage	-%	(3%)		300 bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$12.1 million in the first quarter of fiscal 2025, or 32% of net revenue, as compared to \$(0.3) million in the first quarter of fiscal 2024, or (1%) of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) strong Canadian medical cannabis sales.

International markets cannabis

Gross margin for our international markets cannabis segment was \$3.6 million in the first quarter of fiscal 2025, or 36% of net revenue, as compared to \$3.5 million in the first quarter of fiscal 2024, or 34% of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to the shift in sales mix to higher-margin Poland as well as a lower cost structure relating to our overall international cannabis operations.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$7.3 million in the first quarter of fiscal 2025, or 40% of net revenue, as compared to \$7.7 million in the first quarter of fiscal 2024, or 43% of net revenue. The year-over-year decrease in the gross margin percentage is driven primarily by a shift in product mix as additional rebates were provided to clear out remaining stock of a previously planned discontinued product.

This Works

Gross margin for our This Works segment was \$nil in the first quarter of fiscal 2025, or 0% of net revenue, as compared to \$2.9 million in the first quarter of fiscal 2024, or 48% of net revenue. The year-over-year decrease in the gross margin percentage is due to the completion of the This Works Divestiture on December 18, 2023.

Operating Expenses

The following table presents operating expenses for the three months ended June 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		\$ Change	% Change
	2024	2023		
Operating expenses				
General and administrative	\$ 18,907	\$ 25,492	\$ (6,585)	(26%)
Sales and marketing	15,248	20,751	(5,503)	(27%)
Acquisition, divestiture, and other costs	7,775	8,904	(1,129)	(13%)
Depreciation and amortization	6,038	7,616	(1,578)	(21%)
Selling, general and administrative expenses	47,968	62,763	(14,795)	(24%)
Share-based compensation expense	4,151	3,717	434	12%
Loss on asset impairment and restructuring	20	1,934	(1,914)	(99%)
Total operating expenses	\$ 52,139	\$ 68,414	\$ (16,275)	(24%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$48.0 million in the first quarter of fiscal 2025, as compared to \$62.8 million in the first quarter of fiscal 2024.

General and administrative expense was \$18.9 million in the first quarter of fiscal 2025, as compared to \$25.5 million in the first quarter of fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Sales and marketing expense was \$15.2 million in the first quarter of fiscal 2025, as compared to \$20.8 million in the first quarter of fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Acquisition, divestiture, and other costs were \$7.8 million in the first quarter of fiscal 2025, as compared to \$8.9 million in the first quarter of fiscal 2024. In the first quarter of fiscal 2025, costs were incurred primarily in relation to:

- The reorganization of Canopy USA;
- Costs associated with the Debt Acquisition of Acreage; and
- Continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit.

Comparatively, in the first quarter of fiscal 2024, costs were incurred primarily in relation to the legal and audit costs related to the restatement of our consolidated financial statements, the reorganization of Canopy USA, and evaluating other potential strategic opportunities.

Depreciation and amortization expense was \$6.0 million in the first quarter of fiscal 2025, as compared to \$7.6 million in the first quarter of fiscal 2024. The year-over-year decrease is primarily attributable to the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business.

Share-based compensation expense

Share-based compensation expense was \$4.2 million in the first quarter of fiscal 2025, as compared to \$3.7 million in the first quarter of fiscal 2024. The year-over-year increase is primarily attributable to the second quarter of fiscal 2024 grant of 1.5 million restricted share units and the first quarter of fiscal 2025 grant of 0.8 million options and 0.7 million restricted share units.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses were \$0.02 million in the first quarter of fiscal 2025, as compared to \$1.9 million in the first quarter of fiscal 2024.

Loss on asset impairment and restructuring recorded in the first quarter of fiscal 2025 related primarily to employee restructuring costs and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the surrender agreement.

Comparatively, in the first quarter of fiscal 2024, the loss on asset impairment and restructuring were primarily related to incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the fourth quarter of fiscal 2023, including the closure of our production facility at 1 Hershey Drive in Smiths Falls, Ontario.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended June 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended June 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2024</u>	<u>2023</u>		
	<u>(As Restated)</u>			
Other income (expense), net	(72,626)	46,101	(118,727)	(258%)
Income tax expense	(6,194)	(2,018)	(4,176)	(207%)

Other income (expense), net

Other income (expense), net was an expense amount of \$72.6 million in the first quarter of fiscal 2025, as compared to an income amount of \$46.1 million in the first quarter of fiscal 2024. The year-over-year change of \$118.7 million is primarily attributable to:

- Change of \$64.3 million related to non-cash fair value changes on our other financial assets, from an income amount of \$65.1 million in the first quarter of fiscal 2024 to an income amount of \$0.8 million in the first quarter of fiscal 2025. The income amount recognized in the first quarter of fiscal 2025 is primarily attributable to fair value increases relating to our investments in:
 - The TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
 - The TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
 - The Elevate loan receivable, in the amount of \$7.3 million relating to fair value movements in consideration of the debtor's net assets; and
 - the option premium asset associated with an option premium payment, in the amount of \$3.1 million related to closing of the Acreage Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Option Agreement.

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

- The Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the first quarter of fiscal 2025 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
- Indiva shares, in the amount of \$2.8 million due a decrease in their share price as a result of their CCAA proceedings.

Comparatively, the income amount in the first quarter of fiscal 2024 was primarily attributable to fair value increases relating to our investments in: (i) the Acreage financial instrument (\$44.7 million); (ii) the TerrAscend Exchangeable Shares (\$19.9 million); and (iii) the TerrAscend Warrants (\$6.0 million). The fair value increases were partially offset by fair value decreases associated with the Wana financial instrument (\$5.5 million).

- Decrease in income of \$76.0 million related to non-cash fair value changes on our equity method investments, from \$nil in the first quarter of fiscal 2024 to an expense amount of \$76.0 million in the first quarter of fiscal 2025. The year-over-year change is driven by the fair value change of our Canopy USA equity method investment in the first quarter of fiscal 2025.
- Decrease in income of \$1.9 million related to non-cash fair value changes on our debt, from \$1.9 million in the first quarter of fiscal 2024 to \$nil in the first quarter of fiscal 2025. The year-over-year change is driven primarily by the fair value change of the CBI Note in the first quarter of fiscal 2024.
- Decrease in non-cash income of \$33.5 million related to fair value changes on acquisition related contingent consideration and other, from an income amount of \$6.8 million in the first quarter of fiscal 2024 to an expense amount of \$26.8 million in the first quarter of fiscal 2025. The fair value change in the first quarter of fiscal 2025 relate primarily to various acquisition related contingent consideration. Comparatively, the fair value change in the first quarter of fiscal 2024, related primarily to the estimated deferred payments associated with our investment in Wana.
- Change of \$27.4 million related to charges associated with the settlement of our debt, from an expense amount of \$5.3 million in the first quarter of fiscal 2024 to an income amount of \$22.1 million in the first quarter of fiscal 2025. In the first quarter of fiscal 2025 we recognized a gain of \$22.1 million, primarily in connection with the exchange of the CBI Note. Comparatively, in the first quarter of fiscal 2024, we recognized a charge in the amount of \$5.3 million which is primarily due to the settlement of our unsecured senior notes, offset by a gain on repayment of the Credit Facility.
- Decrease in interest income of \$5.8 million, from \$7.8 million in the first quarter of fiscal 2024 to \$2.1 million in the first quarter of fiscal 2025. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
- Decrease in interest expense of \$11.0 million, from \$32.2 million in the first quarter of fiscal 2024 to \$21.1 million in the first quarter of fiscal 2025. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Increase in non-cash fair value gain of \$21.3 million related to fair value changes on warrant derivative liability, from an amount of \$nil in the first quarter of fiscal 2024 to a fair value gain of \$21.3 million in the first quarter of fiscal 2025. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the first quarter of fiscal 2025 was \$6.2 million, compared to income tax expense of \$2.0 million in the first quarter of fiscal 2024. In the first quarter of fiscal 2025, income tax expense consisted of deferred income tax expense of \$6.0 million (compared to an expense of \$1.5 million in the first quarter of fiscal 2024) and current income tax expense of \$0.2 million (compared to an expense of \$0.5 million in the first quarter of fiscal 2024).

The increase of \$4.5 million in the deferred income tax expense is primarily a result of the settlements of the CBI Note in the first quarter of fiscal 2025 and utilization of losses for tax purposes, where the accounting criteria for recognition of an asset has been met.

The decrease of \$0.3 million in current income tax expense arose primarily as a result of the utilization of group's tax attributes to shelter tax on income for tax purposes.

Net Loss from Continuing Operations

The net loss from continuing operations in the first quarter of fiscal 2025 was \$107.9 million, as compared to a net loss of \$10.6 million in the first quarter of fiscal 2024. The year-over-year increase in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$118.7 million; and (ii) offset by the decrease in selling, general and administrative expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended June 30, 2024 and 2023:

	Three months ended June 30,		\$ Change	% Change
	2024	2023		
<i>(in thousands of Canadian dollars)</i>				
	(As Restated)			
Net loss from continuing operations	\$ (107,928)	\$ (10,569)	\$ (97,359)	(921%)
Income tax expense	6,194	2,018	4,176	207%
Other (income) expense, net	72,626	(46,101)	118,727	258%
Share-based compensation	4,151	3,717	434	12%
Acquisition, divestiture, and other costs	8,627	8,904	(277)	(3%)
Depreciation and amortization ¹	11,030	17,111	(6,081)	(36%)
Loss on asset impairment and restructuring	20	1,934	(1,914)	(99%)
Adjusted EBITDA	\$ (5,280)	\$ (22,986)	\$ 17,706	77%

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the first quarter of fiscal 2025 was \$5.3 million, as compared to an Adjusted EBITDA loss of \$23.0 million in the first quarter of fiscal 2024. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin and the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operations for the Three and Six Months Ended September 30, 2024

Discussion of Second Quarter of Fiscal 2025 Results of Operations

	Three months ended September 30,		\$ Change	% Change
	2024	2023		
<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>				
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 62,991	\$ 69,595	\$ (6,604)	(9%)
Gross margin percentage	35%	34%	-	100 bps
Net loss from continuing operations	\$ (112,220)	\$ (139,547)	\$ 27,327	20%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (112,220)	\$ (139,547)	\$ 27,327	20%
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (1.30)	\$ (1.95)	\$ 0.65	33%

¹ For the three months ended September 30, 2024, the weighted average number of outstanding common shares, basic and diluted, totaled 86,827,991 (three months ended September 30, 2023 - 71,629,443).

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

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the three months ended September 30, 2024 and 2023:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		\$ Change	% Change
	2024	2023		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 18,388	\$ 24,087	\$ (5,699)	(24%)
Canadian medical cannabis ²	18,689	16,179	2,510	16%
	<u>\$ 37,077</u>	<u>\$ 40,266</u>	<u>\$ (3,189)</u>	<u>(8%)</u>
International markets cannabis ³	\$ 10,060	\$ 8,977	\$ 1,083	12%
Storz & Bickel	\$ 15,854	\$ 11,991	\$ 3,863	32%
This Works	\$ -	\$ 7,074	\$ (7,074)	(100%)
Other	-	1,287	(1,287)	(100%)
Net revenue	<u>\$ 62,991</u>	<u>\$ 69,595</u>	<u>\$ (6,604)</u>	<u>(9%)</u>

¹ Reflects excise taxes of \$8,903 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$1,300 for the three months ended September 30, 2024 (three months ended September 30, 2023 - excise taxes of \$10,829 and other revenue adjustments of \$500).

² Reflects excise taxes of \$2,064 for the three months ended September 30, 2024 (three months ended September 30, 2023 - \$1,652).

³ Reflects other revenue adjustments of \$nil for the three months ended September 30, 2024 (three months ended September 30, 2023 - \$70).

Net revenue was \$63.0 million in the second quarter of fiscal 2025, a decrease of \$6.6 million as compared to \$69.6 million in the second quarter of fiscal 2024.

Canada cannabis

Net revenue from our Canada cannabis segment was \$37.1 million in the second quarter of fiscal 2025, as compared to \$40.3 million in the second quarter of fiscal 2024.

Canadian adult-use cannabis net revenue was \$18.4 million in the second quarter of fiscal 2025, as compared to \$24.1 million in the second quarter of fiscal 2024. The year-over-year decrease is primarily attributable to lower sales volumes, which were partially affected by supply constraints for certain products as a result of financial difficulties with our contract manufacturers and lower sales velocity due to continued increase in price competition.

Canadian medical cannabis net revenue was \$18.7 million in the second quarter of fiscal 2025, as compared to \$16.2 million in the second quarter of fiscal 2024. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis

International markets cannabis revenue was \$10.1 million in the second quarter of fiscal 2025, as compared to \$9.0 million in the second quarter of fiscal 2024. The year-over-year increase is primarily attributable to the increased shipments of flower products in Europe, driven by Poland and Germany, which was offset by a decline in our Australian medical business.

Storz & Bickel

Revenue from Storz & Bickel was \$15.9 million in the second quarter of fiscal 2025, as compared to \$12.0 million in the second quarter of fiscal 2024. The year-over-year increase is primarily attributable to strong growth in Germany and the U.S., sales of our Mighty vaporizer and contribution from Venty, our new portable vaporizer that was launched in the third quarter of fiscal 2024.

This Works

Revenue from This Works was \$nil in the second quarter of fiscal 2025, as compared to \$7.1 million in the second quarter of fiscal 2024. The year-over-year decrease is due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended September 30,		\$ Change	% Change
	2024	2023		
Net revenue	\$ 62,991	\$ 69,595	\$ (6,604)	(9%)
Cost of goods sold	\$ 41,153	\$ 46,169	\$ (5,016)	(11%)
Gross margin	21,838	23,426	(1,588)	(7%)
Gross margin percentage	35%	34%	-	100 bps

Cost of goods sold was \$41.2 million in the second quarter of fiscal 2025, as compared to \$46.2 million in the second quarter of fiscal 2024. Our gross margin was \$21.8 million in the second quarter of fiscal 2025, or 35% of net revenue, as compared to a gross margin of \$23.4 million and gross margin percentage of 34% of net revenue in the second quarter of fiscal 2024. The year-over-year increase in the gross margin percentage is primarily attributable to improvement in our international markets cannabis segment, primarily due to an increase in sales mix to higher-margin Poland as well as a lower overall cost structure.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the three months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended September 30,		\$ Change	% Change
	2024	2023		
Canada cannabis segment				
Net revenue	\$ 37,077	\$ 40,266	\$ (3,189)	(8%)
Cost of goods sold	25,127	25,964	(837)	(3%)
Gross margin	11,950	14,302	2,352	(16%)
Gross margin percentage	32%	36%		(400) bps
International markets cannabis segment				
Revenue	\$ 10,060	\$ 8,977	\$ 1,083	12%
Cost of goods sold	5,320	6,286	(966)	(15%)
Gross margin	4,740	2,691	2,049	76%
Gross margin percentage	47%	30%		1,700 bps
Storz & Bickel segment				
Revenue	\$ 15,854	\$ 11,991	\$ 3,863	32%
Cost of goods sold	10,706	8,073	2,633	33%
Gross margin	5,148	3,918	1,230	31%
Gross margin percentage	32%	33%		(100) bps
This Works segment				
Revenue	\$ -	\$ 7,074	\$ (7,074)	(100%)
Cost of goods sold	-	3,688	(3,688)	(100%)
Gross margin	-	3,386	(3,386)	(100%)
Gross margin percentage	-%	48%		(4,800) bps
Other				
Revenue	\$ -	\$ 1,287	\$ (1,287)	(100%)
Cost of goods sold	-	2,158	(2,158)	(100%)
Gross margin	-	(871)	871	100%
Gross margin percentage	-%	(68%)		6,800 bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$12.0 million in the second quarter of fiscal 2025, or 32% of net revenue, as compared to \$14.3 million in the second quarter of fiscal 2024, or 36% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower adult-use sales, partially offset by increased sales in higher-margin medical business, the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023 and a year-over-year decrease in write-downs of excess inventory.

International markets cannabis

Gross margin for our international markets cannabis segment was \$4.7 million in the second quarter of fiscal 2025, or 47% of net revenue, as compared to \$2.7 million in the second quarter of fiscal 2024, or 30% of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to the shift in sales mix to higher-margin Poland, a shift in sales mix within individual markets to higher margin products, and a lower cost structure relating to our overall international cannabis operations.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$5.1 million in the second quarter of fiscal 2025, or 32% of net revenue, as compared to \$3.9 million in the second quarter of fiscal 2024, or 33% of net revenue. The year-over-year gross margin percentage remained consistent period over period as rebates provided to clear out remaining stock of a previously planned discontinued product were offset by strong margins realized on other product sales.

This Works

Gross margin for our This Works segment was \$nil in the second quarter of fiscal 2025, or 0% of net revenue, as compared to \$3.4 million in the second quarter of fiscal 2024, or 48% of net revenue. The year-over-year decrease in the gross margin percentage is due to the completion of the This Works Divestiture on December 18, 2023.

Operating Expenses

The following table presents operating expenses for the three months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2024</u>	<u>2023</u>		
Operating expenses				
General and administrative	\$ 16,798	\$ 20,129	\$ (3,331)	(17%)
Sales and marketing	14,983	19,601	(4,618)	(24%)
Acquisition, divestiture, and other costs	3,930	10,488	(6,558)	(63%)
Depreciation and amortization	6,019	7,393	(1,374)	(19%)
Selling, general and administrative expenses	41,730	57,611	(15,881)	(28%)
Share-based compensation expense	5,221	2,717	2,504	92%
Loss (gain) on asset impairment and restructuring	20,830	(29,895)	50,725	170%
Total operating expenses	<u>\$ 67,781</u>	<u>\$ 30,433</u>	<u>\$ 37,348</u>	<u>123%</u>

Selling, general and administrative expenses

Selling, general and administrative expenses were \$41.7 million in the second quarter of fiscal 2025, as compared to \$57.6 million in the second quarter of fiscal 2024.

General and administrative expense was \$16.8 million in the second quarter of fiscal 2025, as compared to \$20.1 million in the second quarter of fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Sales and marketing expense was \$15.0 million in the second quarter of fiscal 2025, as compared to \$19.6 million in the second quarter of fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Acquisition, divestiture, and other costs were \$3.9 million in the second quarter of fiscal 2025, as compared to \$10.5 million in the second quarter of fiscal 2024. In the second quarter of fiscal 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit;
- the reorganization of Canopy USA; and
- costs relating to the modification of the Credit Agreement (as defined below) that occurred in August 2024.

Comparatively, in the second quarter of fiscal 2024, costs were incurred primarily in relation to:

- costs relating to the modification of the Credit Agreement that occurred in July 2023;
- legal and audit costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit;
- the reorganization of Canopy USA.

Depreciation and amortization expense was \$6.0 million in the second quarter of fiscal 2025, as compared to \$7.4 million in the second quarter of fiscal 2024. The year-over-year decrease is primarily attributable to the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business.

Share-based compensation expense

Share-based compensation expense was \$5.2 million in the second quarter of fiscal 2025, as compared to \$2.7 million in the second quarter of fiscal 2024. The year-over-year increase is primarily attributable to: (i) the first quarter of fiscal 2025 grant of 0.8 million options and 0.7 million restricted share units, and (ii) higher forfeitures in the second quarter of fiscal 2024 due to previously-noted restructuring actions.

Loss (gain) on asset impairment and restructuring

Loss (gain) on asset impairment and restructuring recorded in operating expenses were \$20.8 million in the second quarter of fiscal 2025, as compared to \$(29.9) million in the second quarter of fiscal 2024.

Loss on asset impairment and restructuring recorded in the second quarter of fiscal 2025 related primarily to the non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites.

Comparatively, in the second quarter of fiscal 2024, the gain on asset impairment and restructuring was primarily related to a gain on the sale of our production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain is due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023. This gain was partially offset by various incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2024</u>	<u>2023</u>		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Other income (expense), net	(65,975)	(119,719)	53,744	45%
Income tax expense	(302)	(12,821)	12,519	98%

Other income (expense), net

Other income (expense), net was an expense amount of \$66.0 million in the second quarter of fiscal 2025, as compared to an expense amount of \$119.7 million in the second quarter of fiscal 2024. The year-over-year change of \$53.7 million is primarily attributable to:

- Change of \$34.9 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$82.3 million in the second quarter of fiscal 2024 to an expense amount of \$47.4 million in the second quarter of fiscal 2025. The expense amount recognized in the second quarter of fiscal 2025 is primarily attributable to fair value decreases relating to our investments in:
 - the Elevate loan receivable, in the amount of \$41.9 million relating to fair value movements in consideration of the debtor's net assets; and
 - the Acreage Debt loan receivable, in the amount of \$5.5 million, primarily attributable to changes in market conditions and assumptions.

Comparatively, the expense amount in the second quarter of fiscal 2024 was primarily attributable to fair value decreases relating to our investments in:

- the Wana financial instrument, in the amount of \$43.6 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Wana;
- the Acreage financial instrument, in the amount of \$23.4 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential

scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the second quarter of fiscal 2024 is primarily attributable to an increase of approximately 106% in our share price during the second quarter of fiscal 2024, relative to an increase of approximately 191% in Acreage's share price during that same period. As a result, the model at September 30, 2023 reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares expected to be acquired at that time. In the second quarter of fiscal 2024, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument;

- the Hempco Debenture, in the amount of \$19.5 million, which was attributable primarily to changes in expected future cash flows to be received; and
- the Jetty financial instrument, in the amount of \$17.3 million, which was attributable primarily to changes in the expectations of the future cash flows to be generated by Jetty.

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

- the TerrAscend Exchangeable Shares, in the amount of \$13.2 million, primarily attributable to an increase of approximately 17% in TerrAscend's share price during the second quarter of fiscal 2024; and
 - the TerrAscend Warrants, in the amount of \$7.2 million, primarily attributable to an increase of approximately 17% in TerrAscend's share price during the second quarter of fiscal 2024.
- Increase in expense of \$13.7 million related to non-cash fair value changes on our equity method investments, from \$nil in the second quarter of fiscal 2024 to an expense amount of \$13.7 million in the second quarter of fiscal 2025. The year-over-year change is driven by the fair value change of our Canopy USA equity method investment in the second quarter of fiscal 2025.
 - Decrease in expense of \$27.1 million related to non-cash fair value changes on our debt, from \$27.1 million in the second quarter of fiscal 2024 to \$nil in the second quarter of fiscal 2025. The year-over-year change is driven primarily by the fair value change of the CBI Note in the second quarter of fiscal 2024. In the second quarter of fiscal 2025 there are no debt balances recorded at fair value.
 - Change of \$10.5 million related to fair value changes on acquisition related contingent consideration and other, from an income amount of \$3.7 million in the second quarter of fiscal 2024 to an expense amount of \$6.7 million in the second quarter of fiscal 2025. The fair value change in the second quarter of fiscal 2025 relates primarily to acquisition consideration from a divestiture-related asset. Comparatively, the fair value change in the second quarter of fiscal 2024, related primarily to the estimated deferred payments associated with our investment in Wana.
 - Change of \$7.6 million related to charges associated with the settlement of our debt, from an expense amount of \$7.3 million in the second quarter of fiscal 2024 to an income amount of \$0.3 million in the second quarter of fiscal 2025. In the second quarter of fiscal 2025 we recognized a gain of \$0.3 million, primarily in connection with the partial settlement of the Supreme Debentures (as defined below). Comparatively, in the second quarter of fiscal 2024, we recognized a charge in the amount of \$7.3 million which is primarily due to principal repayments on the Credit Facility.
 - Decrease in interest income of \$1.0 million, from \$3.5 million in the second quarter of fiscal 2024 to \$2.4 million in the second quarter of fiscal 2025. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
 - Decrease in interest expense of \$6.1 million, from \$27.4 million in the second quarter of fiscal 2024 to \$21.3 million in the second quarter of fiscal 2025. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
 - Increase in non-cash fair value gain of \$8.7 million related to fair value changes on warrant derivative liability, from a fair value gain of \$10.6 million in the second quarter of fiscal 2024 to a fair value gain of \$19.3 million in the second quarter of fiscal 2025. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the second quarter of fiscal 2025 was \$0.3 million, compared to income tax expense of \$12.8 million in the second quarter of fiscal 2024. In the second quarter of fiscal 2025, income tax expense consisted of deferred income tax expense of \$0.2 million (compared to an expense of \$12.5 million in the second quarter of fiscal 2024) and current income tax expense of \$0.1 million (compared to an expense of \$0.3 million in the second quarter of fiscal 2024).

The decrease of \$12.3 million in the deferred income tax expense is primarily a result of the settlements of the Canopy Notes in the second quarter of fiscal 2024 and utilization of losses for tax purposes, where the accounting criteria for recognition of an asset has been met.

The decrease of \$0.2 million in current income tax expense arose primarily as a result of the utilization of group's tax attributes to shelter tax on income for tax purposes.

Net Loss from Continuing Operations

The net loss from continuing operations in the second quarter of fiscal 2025 was \$112.2 million, as compared to a net loss of \$139.5 million in the second quarter of fiscal 2024. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$53.7 million; and (ii) offset by the change from gain to loss on asset impairment and restructuring costs. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (112,220)	\$ (139,547)	\$ 27,327	20%
Income tax expense	302	12,821	(12,519)	(98%)
Other (income) expense, net	65,975	119,719	(53,744)	(45%)
Share-based compensation	5,221	2,717	2,504	92%
Acquisition, divestiture, and other costs	4,078	10,488	(6,410)	(61%)
Depreciation and amortization ¹	10,307	12,530	(2,223)	(18%)
Loss (gain) on asset impairment and restructuring	20,830	(29,895)	50,725	170%
Restructuring costs recorded in cost of goods sold	-	(689)	689	100%
Adjusted EBITDA	<u>\$ (5,507)</u>	<u>\$ (11,856)</u>	<u>\$ 6,349</u>	<u>54%</u>

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the second quarter of fiscal 2025 was \$5.5 million, as compared to an Adjusted EBITDA loss of \$11.9 million in the second quarter of fiscal 2024. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operations for the Six Months Ended September 30, 2024

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Six months ended September 30,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 129,203	\$ 145,853	\$ (16,650)	(11%)
Gross margin percentage	35%	25%	-	1,000 bps
Net loss from continuing operations	\$ (220,149)	\$ (150,116)	\$ (70,033)	(47%)
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (220,149)	\$ (150,116)	\$ (70,033)	(47%)
Basic and diluted loss per share from continuing operations ^{1,2}	\$ (2.65)	\$ (2.36)	\$ (0.29)	(12%)

¹ For the six months ended September 30, 2024, the weighted average number of outstanding common shares, basic and diluted, totaled 83,056,230 (six months ended September 30, 2023 - 63,383,000).

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

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the six months ended September 30, 2024 and 2023:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		\$ Change	% Change
	2024	2023		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 37,271	\$ 48,358	\$ (11,087)	(23%)
Canadian medical cannabis ²	37,484	31,801	5,683	18%
	<u>\$ 74,755</u>	<u>\$ 80,159</u>	<u>\$ (5,404)</u>	<u>(7%)</u>
International markets cannabis ³	\$ 20,142	\$ 19,139	\$ 1,003	5%
Storz & Bickel	\$ 34,306	\$ 30,064	\$ 4,242	14%
This Works	\$ -	\$ 13,091	\$ (13,091)	(100%)
Other	-	3,400	(3,400)	(100%)
Net revenue	<u>\$ 129,203</u>	<u>\$ 145,853</u>	<u>\$ (16,650)</u>	<u>(11%)</u>

¹Reflects excise taxes of \$16,420 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$2,500 for the six months ended September 30, 2024 (six months ended September 30, 2023 - excise taxes of \$21,855 and other revenue adjustments of \$1,370).

²Reflects excise taxes of \$4,118 for the six months ended September 30, 2024 (six months ended September 30, 2023 - \$3,012).

³Reflects other revenue adjustments of \$nil for the six months ended September 30, 2024 (six months ended September 30, 2023 - \$137).

Net revenue was \$129.2 million in the six months ended September 30, 2024, a decrease of \$16.7 million as compared to \$145.9 million in the six months ended September 30, 2023.

Canada cannabis

Net revenue from our Canada cannabis segment was \$74.8 million in the six months ended September 30, 2024, as compared to \$80.2 million in the six months ended September 30, 2023.

Canadian adult-use cannabis net revenue was \$37.3 million in the six months ended September 30, 2024, as compared to \$48.4 million in the six months ended September 30, 2023. The year-over-year decrease is primarily attributable to lower sales volumes, which were partially affected by supply constraints for certain products as a result of financial difficulties with our contract manufacturers and lower sales velocity due to continued increase in price competition.

Canadian medical cannabis net revenue was \$37.5 million in the six months ended September 30, 2024, as compared to \$31.8 million in the six months ended September 30, 2023. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis

International markets cannabis revenue was \$20.1 million in the six months ended September 30, 2024, as compared to \$19.1 million in the six months ended September 30, 2023. The year-over-year increase is primarily attributable to the increased shipments of flower products in Europe, driven by Poland and Germany, which was offset by a decline in our Australian medical business.

Storz & Bickel

Revenue from Storz & Bickel was \$34.3 million in the six months ended September 30, 2024, as compared to \$30.1 million in the six months ended September 30, 2023. The year-over-year increase is primarily attributable to strong growth in Germany and the U.S., sales of our Mighty vaporizer and contribution from Venty, our new portable vaporizer that was launched in the third quarter of fiscal 2024.

This Works

Revenue from This Works was \$nil in the six months ended September 30, 2024, as compared to \$13.1 million in the six months ended September 30, 2023. The year-over-year decrease is due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the six months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Six months ended September 30,		\$ Change	% Change
	2024	2023		
Net revenue	\$ 129,203	\$ 145,853	\$ (16,650)	(11%)
Cost of goods sold	\$ 84,334	\$ 108,665	\$ (24,331)	(22%)
Gross margin	44,869	37,188	7,681	21%
Gross margin percentage	35%	25%	-	1,000 bps

Cost of goods sold was \$84.3 million in the six months ended September 30, 2024, as compared to \$108.7 million in the six months ended September 30, 2023. Our gross margin was \$44.9 million in the six months ended September 30, 2024, or 35% of net revenue, as compared to a gross margin of \$37.2 million and gross margin percentage of 25% of net revenue in the six months ended September 30, 2023. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) a shift in channel mix to higher margin medical sales; and
- Improvement in our international markets cannabis segment, primarily due to an increase in sales mix to higher-margin Poland as well as a lower overall cost structure.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the six months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Six months ended September 30,		\$ Change	% Change
	2024	2023		
Canada cannabis segment				
Net revenue	\$ 74,755	\$ 80,159	\$ (5,404)	(7%)
Cost of goods sold	50,711	66,125	(15,414)	(23%)
Gross margin	24,044	14,034	10,010	71%
Gross margin percentage	32%	18%		1,400 bps
International markets cannabis segment				
Revenue	\$ 20,142	\$ 19,139	\$ 1,003	5%
Cost of goods sold	11,777	12,967	(1,190)	(9%)
Gross margin	8,365	6,172	2,193	36%
Gross margin percentage	42%	32%		1,000 bps
Storz & Bickel segment				
Revenue	\$ 34,306	\$ 30,064	\$ 4,242	14%
Cost of goods sold	21,846	18,439	3,407	18%
Gross margin	12,460	11,625	835	7%
Gross margin percentage	36%	39%		(300) bps
This Works segment				
Revenue	\$ -	\$ 13,091	\$ (13,091)	(100%)
Cost of goods sold	-	6,810	(6,810)	(100%)
Gross margin	-	6,281	(6,281)	(100%)
Gross margin percentage	-%	48%		(4,800) bps
Other				
Revenue	\$ -	\$ 3,400	\$ (3,400)	(100%)
Cost of goods sold	-	4,324	(4,324)	(100%)
Gross margin	-	(924)	924	100%
Gross margin percentage	-%	(27%)		2,700 bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$24.0 million in the six months ended September 30, 2024, or 32% of net revenue, as compared to \$14.0 million in the six months ended September 30, 2023, or 18% of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) strong Canadian medical cannabis sales.

International markets cannabis

Gross margin for our international markets cannabis segment was \$8.4 million in the six months ended September 30, 2024, or 42% of net revenue, as compared to \$6.2 million in the six months ended September 30, 2023, or 32% of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to the shift in sales mix to higher-margin Poland as well as a lower cost structure relating to our overall international cannabis operations.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$12.5 million in the six months ended September 30, 2024, or 36% of net revenue, as compared to \$11.6 million in the six months ended September 30, 2023, or 39% of net revenue. The year-over-year decrease in the gross margin percentage is driven primarily by a shift in product mix as additional rebates were provided to clear out remaining stock of a previously planned discontinued product.

This Works

Gross margin for our This Works segment was \$nil in the six months ended September 30, 2024, or 0% of net revenue, as compared to \$6.3 million in the six months ended September 30, 2023, or 48% of net revenue. The year-over-year decrease in the gross margin percentage is due to the completion of the This Works Divestiture on December 18, 2023.

Operating Expenses

The following table presents operating expenses for the six months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		\$ Change	% Change
	2024	2023		
Operating expenses				
General and administrative	\$ 35,705	\$ 45,621	\$ (9,916)	(22%)
Sales and marketing	30,231	40,352	(10,121)	(25%)
Acquisition, divestiture, and other costs	11,705	19,392	(7,687)	(40%)
Depreciation and amortization	12,057	15,009	(2,952)	(20%)
Selling, general and administrative expenses	89,698	120,374	(30,676)	(25%)
Share-based compensation expense	9,372	6,434	2,938	46%
Loss (gain) on asset impairment and restructuring	20,850	(27,961)	48,811	175%
Total operating expenses	\$ 119,920	\$ 98,847	\$ 21,073	21%

Selling, general and administrative expenses

Selling, general and administrative expenses were \$89.7 million in the six months ended September 30, 2024, as compared to \$120.4 million in the six months ended September 30, 2023.

General and administrative expense was \$35.7 million in the six months ended September 30, 2024, as compared to \$45.6 million in the six months ended September 30, 2023. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Sales and marketing expense was \$30.2 million in the six months ended September 30, 2024, as compared to \$40.4 million in the six months ended September 30, 2023. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Acquisition, divestiture, and other costs were \$11.7 million in the six months ended September 30, 2024, as compared to \$19.4 million in the six months ended September 30, 2023. In the six months ended September 30, 2024, costs were incurred primarily in relation to:

- the reorganization of Canopy USA;
- costs associated with the Debt Acquisition of Acreage;
- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit; and
- costs relating to the modification of the Credit Agreement that occurred in August 2024.

Comparatively, in the six months ended September 30, 2023, costs were incurred primarily in relation to:

- costs relating to the modification of the Credit Agreement that occurred in July 2023;
- legal and audit costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit;
- the reorganization of Canopy USA.

Depreciation and amortization expense was \$12.1 million in the six months ended September 30, 2024, as compared to \$15.0 million in the six months ended September 30, 2023. The year-over-year decrease is primarily attributable to the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business.

Share-based compensation expense

Share-based compensation expense was \$9.4 million in the six months ended September 30, 2024, as compared to \$6.4 million in the six months ended September 30, 2023. The year-over-year increase is primarily attributable to: (i) the first quarter of fiscal 2025

grant of 0.8 million options and 0.7 million restricted share units, and (ii) higher forfeitures in the first half of fiscal 2024 due to previously-noted restructuring actions.

Loss (gain) on asset impairment and restructuring

Loss (gain) on asset impairment and restructuring recorded in operating expenses were \$20.9 million in the six months ended September 30, 2024, as compared to \$(28.0) million in the six months ended September 30, 2023.

Loss on asset impairment and restructuring recorded in the six months ended September 30, 2024 related primarily to the non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the surrender agreement.

Comparatively, in the six months ended September 30, 2023, the gain on asset impairment and restructuring was primarily related to a gain on the sale of our production facility at 1 Hershey Drive in Smiths Falls, Ontario. The gain is due to the sale proceeds exceeding the carrying value that was previously impaired at March 31, 2023. This gain was partially offset by various incremental impairment losses and other costs associated with the restructuring of our Canadian cannabis operations that were initiated in the three months ended March 31, 2023.

Other

The following table presents other income (expense), net, and income tax expense for the six months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	<u>Six months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2024</u>	<u>2023</u>		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Other income (expense), net	(138,602)	(73,618)	(64,984)	(88%)
Income tax expense	(6,496)	(14,839)	8,343	56%

Other income (expense), net

Other income (expense), net was an expense amount of \$138.6 million in the six months ended September 30, 2024, as compared to an expense amount of \$73.6 million in the six months ended September 30, 2023. The year-over-year change of \$65.0 million is primarily attributable to:

- Change of \$29.4 million related to non-cash fair value changes on our other financial assets, from an expense amount of \$17.2 million in the six months ended September 30, 2023 to an expense amount of \$46.6 million in the six months ended September 30, 2024. The expense amount recognized in the six months ended September 30, 2024 is primarily attributable to fair value decreases relating to our investments in:
 - the Elevate loan receivable, in the amount of \$34.6 million relating to fair value movements in consideration of the debtor's net assets; and
 - the Acreage Debt loan receivable, in the amount of \$6.0 million, primarily attributable to changes in market conditions and assumptions.
 - the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the six months ended September 30, 2024 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
 - Indiva shares, in the amount of \$2.8 million due a decrease in their share price as a result of their CCAA proceedings.

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

- the TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the Elevate loan receivable, in the amount of \$7.3 million relating to fair value movements in consideration of the debtor's net assets; and
- the Acreage debt Option Premium, in the amount of \$3.1 million related to closing of the Acreage Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Option Agreement.

Comparatively, the expense amount in the six months ended September 30, 2023 was primarily attributable to fair value decreases relating to our investments in: (i) the Wana financial instrument (\$49.1 million); (ii) the Jetty financial instrument (\$17.3 million); and the Hempeco Debenture (\$17.9 million). The fair value decreases were partially offset by fair value increases associated with our investments in: (i) the Acreage financial instrument (\$21.3 million); (ii) the TerrAscend Exchangeable Shares (\$33.1 million); and the TerrAscend Warrants (\$13.2 million).

- Increase in expense of \$89.6 million related to non-cash fair value changes on our equity method investments, from \$nil in the six months ended September 30, 2023 to an expense amount of \$89.6 million in the six months ended September 30, 2024. The year-over-year change is driven by the fair value change of our Canopy USA equity method investment in the six months ended September 30, 2024.
- Decrease in expense of \$25.2 million related to non-cash fair value changes on our debt, from \$25.2 million in the six months ended September 30, 2023 to \$nil in the six months ended September 30, 2024. The year-over-year change is driven primarily by the fair value change of the CBI Note in the six months ended September 30, 2023. In the six months ended September 30, 2024 there are no debt balances recorded at fair value.
- Change of \$44.0 million related to fair value changes on acquisition related contingent consideration and other, from an income amount of \$10.5 million in the six months ended September 30, 2023 to an expense amount of \$33.5 million in the six months ended September 30, 2024. The fair value change in the six months ended September 30, 2024 relates primarily to various acquisition related contingent consideration. Comparatively, the fair value change in the six months ended September 30, 2023, related primarily to the estimated deferred payments associated with our investment in Wana.
- Change of \$35.0 million related to charges associated with the settlement of our debt, from an expense amount of \$12.6 million in the six months ended September 30, 2023 to an income amount of \$22.4 million in the six months ended September 30, 2024. In the six months ended September 30, 2024 we recognized a gain of \$22.4 million, primarily in connection with the exchange of the CBI Note. Comparatively, in the six months ended September 30, 2023, we recognized a charge in the amount of \$12.6 million which is primarily due to the settlement of our unsecured senior notes and principal repayments on the Credit Facility.
- Decrease in interest income of \$6.8 million, from \$11.3 million in the six months ended September 30, 2023 to \$4.5 million in the six months ended September 30, 2024. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
- Decrease in interest expense of \$17.2 million, from \$59.6 million in the six months ended September 30, 2023 to \$42.4 million in the six months ended September 30, 2024. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Increase in non-cash fair value gain of \$30.0 million related to fair value changes on warrant derivative liability, from a fair value gain of \$10.6 million in the six months ended September 30, 2023 to a fair value gain of \$40.6 million in the six months ended September 30, 2024. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the six months ended September 30, 2024 was \$6.5 million, compared to income tax expense of \$14.8 million in the six months ended September 30, 2023. In the six months ended September 30, 2024, income tax expense consisted of deferred income tax expense of \$6.2 million (compared to an expense of \$14.0 million in the six months ended September 30, 2023) and current income tax expense of \$0.3 million (compared to an expense of \$0.8 million in the six months ended September 30, 2023).

The decrease of \$7.8 million in the deferred income tax expense is primarily a result of: (i) a decrease due to the settlements of the Canopy Notes in the second quarter of fiscal 2024 relative to the settlements of the CBI Note in fiscal 2025; and (ii) an increase due to the realization of deferred taxes for entities that historically did not meet the deferred tax asset recognition criteria.

The decrease of \$0.5 million in current income tax expense arose primarily in connection with previously cash taxable legal entities that are no longer taxable and as a result of the utilization of group's tax attributes to shelter tax on income for tax purposes.

Net Loss from Continuing Operations

The net loss from continuing operations in the six months ended September 30, 2024 was \$220.1 million, as compared to a net loss of \$150.1 million in the six months ended September 30, 2023. The year-over-year increase in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$65.0 million; (ii) the change from gain to loss on asset impairment and restructuring costs; and (iii) offset by the decrease in selling, general and administrative expenses and improvement in gross margins. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the six months ended September 30, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (220,149)	\$ (150,116)	\$ (70,033)	(47%)
Income tax expense	6,496	14,839	(8,343)	(56%)
Other (income) expense, net	138,602	73,618	64,984	88%
Share-based compensation	9,372	6,434	2,938	46%
Acquisition, divestiture, and other costs	12,705	19,392	(6,687)	(34%)
Depreciation and amortization ¹	21,337	29,641	(8,304)	(28%)
Loss (gain) on asset impairment and restructuring	20,850	(27,961)	48,811	175%
Restructuring costs recorded in cost of goods sold	-	(689)	689	100%
Adjusted EBITDA	\$ (10,787)	\$ (34,842)	\$ 24,055	69%

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the six months ended September 30, 2024 was \$10.8 million, as compared to an Adjusted EBITDA loss of \$34.8 million in the six months ended September 30, 2023. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin and the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operations for the Three and Nine Months Ended December 31, 2024

Discussion of Third Quarter of Fiscal 2025 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Three months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 74,761	\$ 78,505	\$ (3,744)	(5%)
Gross margin percentage	32%	36%	-	(400) bps
Net loss from continuing operations	\$ (98,083)	\$ (219,143)	\$ 121,060	55%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (98,083)	\$ (219,143)	\$ 121,060	55%
Basic and diluted loss per share from continuing operations ¹	\$ (0.89)	\$ (2.65)	\$ 1.76	66%

¹ For the three months ended December 31, 2024, the weighted average number of outstanding common shares, basic and diluted, totaled 110,306,430 (three months ended December 31, 2023 - 82,919,190).

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the three months ended December 31, 2024 and 2023:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2024	2023		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 21,153	\$ 23,490	\$ (2,337)	(10%)
Canadian medical cannabis ²	19,575	16,894	2,681	16%
	<u>\$ 40,728</u>	<u>\$ 40,384</u>	<u>\$ 344</u>	<u>1%</u>
International markets cannabis ³	\$ 12,024	\$ 10,527	\$ 1,497	14%
Storz & Bickel	\$ 22,009	\$ 18,453	\$ 3,556	19%
This Works	\$ -	\$ 8,165	\$ (8,165)	(100%)
Other	-	976	(976)	(100%)
Net revenue	<u>\$ 74,761</u>	<u>\$ 78,505</u>	<u>\$ (3,744)</u>	<u>(5%)</u>

¹ Reflects excise taxes of \$9,335 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$924 for the three months ended December 31, 2024 (three months ended December 31, 2023 - excise taxes of \$9,741 and other revenue adjustments of \$1,113).

² Reflects excise taxes of \$2,148 for the three months ended December 31, 2024 (three months ended December 31, 2023 - \$1,815).

³ Reflects other revenue adjustments of \$62 for the three months ended December 31, 2024 (three months ended December 31, 2023 - \$317).

Net revenue was \$74.8 million in the third quarter of fiscal 2025, a decrease of \$3.7 million as compared to \$78.5 million in the third quarter of fiscal 2024.

Canada cannabis

Net revenue from our Canada cannabis segment was \$40.7 million in the third quarter of fiscal 2025, as compared to \$40.4 million in the third quarter of fiscal 2024.

Canadian adult-use cannabis net revenue was \$21.2 million in the third quarter of fiscal 2025, as compared to \$23.5 million in the third quarter of fiscal 2024. The year-over-year decrease is primarily attributable to lower sales volumes and sales velocity on our core flower and PRJ offerings due to continued increase in price competition, partially offset by contributions from new product launches and opportunistic bulk sales.

Canadian medical cannabis net revenue was \$19.6 million in the third quarter of fiscal 2025, as compared to \$16.9 million in the third quarter of fiscal 2024. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis

International markets cannabis revenue was \$12.0 million in the third quarter of fiscal 2025, as compared to \$10.5 million in the third quarter of fiscal 2024. The year-over-year increase is primarily attributable to the increased shipments of flower products in Europe, driven by Poland and Germany, which was offset by a decline in our Australian medical business.

Storz & Bickel

Revenue from Storz & Bickel was \$22.0 million in the third quarter of fiscal 2025, as compared to \$18.5 million in the third quarter of fiscal 2024. The year-over-year increase is primarily attributable to strong growth in Germany, the U.S., and the United Kingdom and sales of Venty, our newest portable vaporizer.

This Works

Revenue from This Works was \$nil in the third quarter of fiscal 2025, as compared to \$8.2 million in the third quarter of fiscal 2024. The year-over-year decrease is due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended December 31,		\$ Change	% Change
	2024	2023		
Net revenue	\$ 74,761	\$ 78,505	\$ (3,744)	(5%)
Cost of goods sold	\$ 50,663	\$ 50,279	\$ 384	1%
Gross margin	24,098	28,226	(4,128)	(15%)
Gross margin percentage	32%	36%	-	(400) bps

Cost of goods sold was \$50.7 million in the third quarter of fiscal 2025, as compared to \$50.3 million in the third quarter of fiscal 2024. Our gross margin was \$24.1 million in the third quarter of fiscal 2025, or 32% of net revenue, as compared to a gross margin of \$28.2 million and gross margin percentage of 36% of net revenue in the third quarter of fiscal 2024. The year-over-year decrease in the gross margin percentage is primarily attributable to costs related to new product launches, increased price competition and indirect costs.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the three months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended December 31,		\$ Change	% Change
	2024	2023		
Canada cannabis segment				
Net revenue	\$ 40,728	\$ 40,384	\$ 344	1%
Cost of goods sold	30,547	29,078	1,469	5%
Gross margin	10,181	11,306	1,125	(10%)
Gross margin percentage	25%	28%		(300) bps
International markets cannabis segment				
Revenue	\$ 12,024	\$ 10,527	\$ 1,497	14%
Cost of goods sold	7,092	6,335	757	12%
Gross margin	4,932	4,192	740	18%
Gross margin percentage	41%	40%		100 bps
Storz & Bickel segment				
Revenue	\$ 22,009	\$ 18,453	\$ 3,556	19%
Cost of goods sold	13,024	9,004	4,020	45%
Gross margin	8,985	9,449	(464)	(5%)
Gross margin percentage	41%	51%		(1,000) bps
This Works segment				
Revenue	\$ -	\$ 8,165	\$ (8,165)	(100%)
Cost of goods sold	-	3,912	(3,912)	(100%)
Gross margin	-	4,253	(4,253)	(100%)
Gross margin percentage	-%	52%		(5,200) bps
Other				
Revenue	\$ -	\$ 976	\$ (976)	(100%)
Cost of goods sold	-	1,950	(1,950)	(100%)
Gross margin	-	(974)	974	100%
Gross margin percentage	-%	(100%)		10,000 bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$10.2 million in the third quarter of fiscal 2025, or 25% of net revenue, as compared to \$11.3 million in the third quarter of fiscal 2024, or 28% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower adult-use sales and costs related to new product launches, partially offset by increased sales in higher-margin medical business.

International markets cannabis

Gross margin for our international markets cannabis segment was \$4.9 million in the third quarter of fiscal 2025, or 41% of net revenue, as compared to \$4.2 million in the third quarter of fiscal 2024, or 40% of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to the shift in sales mix to higher-margin Poland.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$9.0 million in the third quarter of fiscal 2025, or 41% of net revenue, as compared to \$9.4 million in the third quarter of fiscal 2024, or 51% of net revenue. The year-over-year decrease in the gross margin percentage is primarily attributable to increases in indirect costs.

This Works

Gross margin for our This Works segment was \$nil in the third quarter of fiscal 2025, or 0% of net revenue, as compared to \$4.3 million in the third quarter of fiscal 2024, or 52% of net revenue. The year-over-year decrease in the gross margin percentage is due to the completion of the This Works Divestiture on December 18, 2023.

Operating Expenses

The following table presents operating expenses for the three months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2024	2023		
Operating expenses				
General and administrative	\$ 16,984	\$ 24,046	\$ (7,062)	(29%)
Sales and marketing	15,445	18,326	(2,881)	(16%)
Acquisition, divestiture, and other costs	3,036	4,981	(1,945)	(39%)
Depreciation and amortization	6,011	7,083	(1,072)	(15%)
Selling, general and administrative expenses	41,476	54,436	(12,960)	(24%)
Share-based compensation expense	5,159	3,693	1,466	40%
Loss on asset impairment and restructuring	1,285	30,413	(29,128)	(96%)
Total operating expenses	<u>\$ 47,920</u>	<u>\$ 88,542</u>	<u>\$ (40,622)</u>	<u>(46%)</u>

Selling, general and administrative expenses

Selling, general and administrative expenses were \$41.5 million in the third quarter of fiscal 2025, as compared to \$54.4 million in the third quarter of fiscal 2024.

General and administrative expense was \$17.0 million in the third quarter of fiscal 2025, as compared to \$24.0 million in the third quarter of fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Sales and marketing expense was \$15.4 million in the third quarter of fiscal 2025, as compared to \$18.3 million in the third quarter of fiscal 2024. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Acquisition, divestiture, and other costs were \$3.0 million in the third quarter of fiscal 2025, as compared to \$5.0 million in the third quarter of fiscal 2024. In the third quarter of fiscal 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit; and
- the reorganization of Canopy USA.

Comparatively, in the third quarter of fiscal 2024, costs were incurred primarily in relation to:

- costs relating to the modification of the Credit Agreement that occurred in July 2023;

- legal and audit costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit;
- the reorganization of Canopy USA.

Depreciation and amortization expense was \$6.0 million in the third quarter of fiscal 2025, as compared to \$7.1 million in the third quarter of fiscal 2024. The year-over-year decrease is primarily attributable to the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business.

Share-based compensation expense

Share-based compensation expense was \$5.2 million in the third quarter of fiscal 2025, as compared to \$3.7 million in the third quarter of fiscal 2024. The year-over-year increase is primarily attributable to: (i) the first quarter of fiscal 2025 grant of 0.8 million options and 0.7 million restricted share units, and (ii) higher forfeitures in the third quarter of fiscal 2024 due to previously-noted restructuring actions.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was \$1.3 million in the third quarter of fiscal 2025, as compared to \$30.4 million in the third quarter of fiscal 2024.

Loss on asset impairment and restructuring recorded in the third quarter of fiscal 2025 related primarily to employee restructuring costs, and ongoing holding costs to maintain previously restructured sites.

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

Other

The following table presents other income (expense), net, and income tax (expense) recovery for the three months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Other income (expense), net	(73,945)	(159,904)	85,959	54%
Income tax expense	(316)	1,077	(1,393)	(129%)

Other income (expense), net

Other income (expense), net was an expense amount of \$73.9 million in the third quarter of fiscal 2025, as compared to an expense amount of \$159.9 million in the third quarter of fiscal 2024. The year-over-year change of \$86.0 million is primarily attributable to:

- Change of \$70.4 million related to non-cash fair value changes on our Canopy USA related and other financial assets, from an expense amount of \$146.7 million in the third quarter of fiscal 2024 to an expense amount of \$76.3 million in the third quarter of fiscal 2025. The expense amount recognized in the third quarter of fiscal 2025 is primarily attributable to fair value decreases relating to our investment in:
 - the Canopy USA equity method investment in the amount of \$140.4 million.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the Elevate loan receivable, in the amount of \$59.4 million relating to fair value movements in consideration of the debtor's net assets; and
- the Acreage Debt loan receivable, in the amount of \$4.7 million, primarily attributable to changes in market conditions and assumptions.

Comparatively, the expense amount in the third quarter of fiscal 2024 was primarily attributable to fair value decreases relating to our investments in:

- the Wana financial instrument, in the amount of \$62.6 million, which was attributable primarily to changes in expectations of the future cash flows to be generated by Wana;
- the Acreage financial instrument, in the amount of \$43.6 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the third quarter of fiscal 2024 is primarily attributable to a decrease of approximately 36% in our share price during the third quarter of

fiscal 2024, relative to a decrease of approximately 54% in Acreage's share price during that same period. As a result, the model at December 31, 2023 reflects both a lower estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a lower estimated value of the Acreage shares expected to be acquired at that time. In the third quarter of fiscal 2024, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument;

- the TerrAscend Exchangeable Shares, in the amount of \$22.9 million, primarily attributable to a decrease of approximately 21% in TerrAscend's share price during the third quarter of fiscal 2024;
- the TerrAscend Warrants, in the amount of \$10.5 million, primarily attributable to a decrease of approximately 21% in TerrAscend's share price during the third quarter of fiscal 2024; and
- the Jetty financial instrument, in the amount of \$9.9 million, which was attributable primarily to changes in the expectations of the future cash flows to be generated by Jetty.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the Hempco Debenture, in the amount of \$2.1 million, which was attributable primarily to changes in expected future cash flows to be received.
- Decrease in expense of \$5.4 million related to non-cash fair value changes on our debt, from \$5.4 million in the third quarter of fiscal 2024 to \$nil in the third quarter of fiscal 2025. The year-over-year change is driven primarily by the fair value change of the CBI Note in the third quarter of fiscal 2024. In the third quarter of fiscal 2025 there are no debt balances recorded at fair value.
 - Change of \$8.6 million related to fair value changes on acquisition related contingent consideration and other, from an income amount of \$8.6 million in the third quarter of fiscal 2024 to \$nil in the third quarter of fiscal 2025. No fair value changes occurred in the third quarter of fiscal 2025. Comparatively, the fair value change in the third quarter of fiscal 2024, related primarily to the estimated deferred payments associated with our investment in Wana.
 - Change of \$0.6 million related to charges associated with the settlement of our debt, from an expense amount of \$0.6 million in the third quarter of fiscal 2024 to \$nil in the third quarter of fiscal 2025. In the third quarter of fiscal 2025, settlement of debt balances did not result in any gains or losses. In the third quarter of fiscal 2024, we recognized a charge in the amount of \$0.6 million which is primarily due to principal repayments on the Credit Facility.
 - Decrease in interest income of \$0.6 million, from \$2.5 million in the third quarter of fiscal 2024 to \$1.9 million in the third quarter of fiscal 2025. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
 - Decrease in interest expense of \$7.9 million, from \$24.6 million in the third quarter of fiscal 2024 to \$16.8 million in the third quarter of fiscal 2025. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
 - Increase in non-cash fair value gain of \$12.7 million related to fair value changes on warrant derivative liability, from a fair value gain of \$11.1 million in the third quarter of fiscal 2024 to a fair value gain of \$23.8 million in the third quarter of fiscal 2025. The fair value change was driven by the decrease in our share price during the period.

Income tax (expense) recovery

Income tax expense in the third quarter of fiscal 2025 was \$0.3 million, compared to income tax recovery of \$1.1 million in the third quarter of fiscal 2024. In the third quarter of fiscal 2025, income tax expense consisted of deferred income tax expense of \$0.2 million (compared to a recovery of \$0.6 million in the third quarter of fiscal 2024) and current income tax expense of \$0.1 million (compared to a recovery of \$0.5 million in the third quarter of fiscal 2024).

The increase of \$0.8 million in the deferred income tax expense is primarily a result of the utilization of losses for tax purposes, where the accounting criteria for recognition of an asset has been met.

The increase of \$0.6 million in current income tax expense arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the third quarter of fiscal 2025 was \$98.1 million, as compared to a net loss of \$219.1 million in the third quarter of fiscal 2024. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$86.0 million; and (ii) the decrease in operating loss from continuing operations. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (98,083)	\$ (219,143)	\$ 121,060	55%
Income tax expense	316	(1,077)	1,393	129%
Other (income) expense, net	73,945	159,904	(85,959)	(54%)
Share-based compensation	5,159	3,693	1,466	40%
Acquisition, divestiture, and other costs	3,595	4,981	(1,386)	(28%)
Depreciation and amortization ¹	10,314	12,240	(1,926)	(16%)
Loss (gain) on asset impairment and restructuring	1,285	30,413	(29,128)	(96%)
Adjusted EBITDA	<u>\$ (3,469)</u>	<u>\$ (8,989)</u>	<u>\$ 5,520</u>	<u>61%</u>

¹ From Consolidated Statements of Cash Flows.

The Adjusted EBITDA loss in the third quarter of fiscal 2025 was \$3.5 million, as compared to an Adjusted EBITDA loss of \$9.0 million in the third quarter of fiscal 2024. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operations for the Nine Months Ended December 31, 2024

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Nine months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 203,964	\$ 224,358	\$ (20,394)	(9%)
Gross margin percentage	34%	29%	-	500 bps
Net loss from continuing operations	\$ (318,232)	\$ (369,260)	\$ 51,028	14%
Net loss from continuing operations attributable to Canopy Growth Corporation	\$ (318,232)	\$ (369,260)	\$ 51,028	14%
Basic and diluted loss per share from continuing operations ¹	\$ (3.45)	\$ (5.28)	\$ 1.83	35%

¹ For the nine months ended December 31, 2024, the weighted average number of outstanding common shares, basic and diluted, totaled 92,172,660 (nine months ended December 31, 2023 - 69,918,744).

Revenue

We report net revenue in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Revenue derived from the remainder of our operations are included within "other". The following table presents segmented net revenue for the nine months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 58,424	\$ 71,848	\$ (13,424)	(19%)
Canadian medical cannabis ²	57,059	48,695	8,364	17%
	<u>\$ 115,483</u>	<u>\$ 120,543</u>	<u>\$ (5,060)</u>	<u>(4%)</u>
International markets cannabis ³	\$ 32,166	\$ 29,666	\$ 2,500	8%
Storz & Bickel	\$ 56,315	\$ 48,517	\$ 7,798	16%
This Works	\$ -	\$ 21,256	\$ (21,256)	(100%)
Other	-	4,376	(4,376)	(100%)
Net revenue	<u>\$ 203,964</u>	<u>\$ 224,358</u>	<u>\$ (20,394)</u>	<u>(9%)</u>

¹ Reflects excise taxes of \$25,755 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$3,424 for the nine months ended December 31, 2024 (nine months ended December 31, 2023 - excise taxes of \$31,596 and other revenue adjustments of \$2,483).

² Reflects excise taxes of \$6,266 for the nine months ended December 31, 2024 (nine months ended December 31, 2023 - \$4,827).

³ Reflects other revenue adjustments of \$62 for the nine months ended December 31, 2024 (nine months ended December 31, 2023 - \$454).

Net revenue was \$204.0 million in the nine months ended December 31, 2024, a decrease of \$20.4 million as compared to \$224.4 million in the nine months ended December 31, 2023.

Canada cannabis

Net revenue from our Canada cannabis segment was \$115.5 million in the nine months ended December 31, 2024, as compared to \$120.5 million in the nine months ended December 31, 2023.

Canadian adult-use cannabis net revenue was \$58.4 million in the nine months ended December 31, 2024, as compared to \$71.8 million in the nine months ended December 31, 2023. The year-over-year decrease is primarily attributable to lower sales volumes, which were partially affected by supply constraints for certain products as a result of financial difficulties with our contract manufacturers and lower sales velocity on our core flower and PRJ offerings due to continued increase in price competition, partially offset by contributions from new product launches and opportunistic bulk sales.

Canadian medical cannabis net revenue was \$57.1 million in the nine months ended December 31, 2024, as compared to \$48.7 million in the nine months ended December 31, 2023. The year-over-year increase is primarily attributable to an increase in the average size of medical orders placed by our customers due largely to an increase in the percentage of insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis

International markets cannabis revenue was \$32.2 million in the nine months ended December 31, 2024, as compared to \$29.7 million in the nine months ended December 31, 2023. The year-over-year increase is primarily attributable to the increased shipments of flower products in Europe, driven by Poland and Germany, which was offset by a decline in our Australian medical business.

Storz & Bickel

Revenue from Storz & Bickel was \$56.3 million in the nine months ended December 31, 2024, as compared to \$48.5 million in the nine months ended December 31, 2023. The year-over-year increase is primarily attributable to strong growth in Germany, the U.S., and the United Kingdom, sales of our Mighty vaporizer and contribution from Venty, our newest portable vaporizer.

This Works

Revenue from This Works was \$nil in the nine months ended December 31, 2024, as compared to \$21.3 million in the nine months ended December 31, 2023. The year-over-year decrease is due to the completion of the This Works Divestiture on December 18, 2023.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the nine months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2024	2023		
Net revenue	\$ 203,964	\$ 224,358	\$ (20,394)	(9%)
Cost of goods sold	\$ 134,997	\$ 158,944	\$ (23,947)	(15%)
Gross margin	68,967	65,414	3,553	5%
Gross margin percentage	34%	29%	-	500 bps

Cost of goods sold was \$135.0 million in the nine months ended December 31, 2024, as compared to \$158.9 million in the nine months ended December 31, 2023. Our gross margin was \$69.0 million in the nine months ended December 31, 2024, or 34% of net revenue, as compared to a gross margin of \$65.4 million and gross margin percentage of 29% of net revenue in the nine months ended December 31, 2023. The year-over-year increase in the gross margin percentage is primarily attributable to:

- Improvement in our Canada cannabis segment, primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) a shift in channel mix to higher margin medical sales; and
- Improvement in our international markets cannabis segment, primarily due to an increase in sales mix to higher-margin Poland as well as a lower overall cost structure.

Partially offset by costs related to new product launches, increased price competition and indirect costs.

We report gross margin and gross margin percentage in four segments: (i) Canada cannabis; (ii) international markets cannabis; (iii) Storz & Bickel; and (iv) This Works. Cost of sales associated with the remainder of our operations are included within "other". The following table presents segmented gross margin and gross margin percentage for the nine months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars except where indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2024	2023		
Canada cannabis segment				
Net revenue	\$ 115,483	\$ 120,543	\$ (5,060)	(4%)
Cost of goods sold	81,258	95,203	(13,945)	(15%)
Gross margin	34,225	25,340	8,885	35%
Gross margin percentage	30%	21%		900 bps
International markets cannabis segment				
Revenue	\$ 32,166	\$ 29,666	\$ 2,500	8%
Cost of goods sold	18,869	19,302	(433)	(2%)
Gross margin	13,297	10,364	2,933	28%
Gross margin percentage	41%	35%		600 bps
Storz & Bickel segment				
Revenue	\$ 56,315	\$ 48,517	\$ 7,798	16%
Cost of goods sold	34,870	27,443	7,427	27%
Gross margin	21,445	21,074	371	2%
Gross margin percentage	38%	43%		(500) bps
This Works segment				
Revenue	\$ -	\$ 21,256	\$ (21,256)	(100%)
Cost of goods sold	-	10,722	(10,722)	(100%)
Gross margin	-	10,534	(10,534)	(100%)
Gross margin percentage	-%	50%		(5,000) bps
Other				
Revenue	\$ -	\$ 4,376	\$ (4,376)	(100%)
Cost of goods sold	-	6,274	(6,274)	(100%)
Gross margin	-	(1,898)	1,898	100%
Gross margin percentage	-%	(43%)		4,300 bps

Canada cannabis

Gross margin for our Canada cannabis segment was \$34.2 million in the nine months ended December 31, 2024, or 30% of net revenue, as compared to \$25.3 million in the nine months ended December 31, 2023, or 21% of net revenue. The year-over-year increase in the gross margin percentage was primarily attributable to: (i) the realized benefit of our cost savings program and strategic changes to our business that were initiated in the fourth quarter of fiscal 2023; (ii) a year-over-year decrease in write-downs of excess inventory; and (iii) strong Canadian medical cannabis sales. Offset by costs related to new product launches and increased price competition.

International markets cannabis

Gross margin for our international markets cannabis segment was \$13.3 million in the nine months ended December 31, 2024, or 41% of net revenue, as compared to \$10.4 million in the nine months ended December 31, 2023, or 35% of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to the shift in sales mix to higher-margin Poland as well as a lower cost structure relating to our overall international cannabis operations.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$21.4 million in the nine months ended December 31, 2024, or 38% of net revenue, as compared to \$21.1 million in the nine months ended December 31, 2023, or 43% of net revenue. The year-over-year

decrease in the gross margin percentage is driven primarily by a shift in product mix as additional rebates were provided to clear out remaining stock of a previously planned discontinued product and increases in indirect costs.

This Works

Gross margin for our This Works segment was \$nil in the nine months ended December 31, 2024, or 0% of net revenue, as compared to \$10.5 million in the nine months ended December 31, 2023, or 50% of net revenue. The year-over-year decrease in the gross margin percentage is due to the completion of the This Works Divestiture on December 18, 2023.

Operating Expenses

The following table presents operating expenses for the nine months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2024	2023		
Operating expenses				
General and administrative	\$ 52,689	\$ 69,667	\$ (16,978)	(24%)
Sales and marketing	45,676	58,678	(13,002)	(22%)
Acquisition, divestiture, and other costs	14,741	24,373	(9,632)	(40%)
Depreciation and amortization	18,068	22,092	(4,024)	(18%)
Selling, general and administrative expenses	131,174	174,810	(43,636)	(25%)
Share-based compensation expense	14,531	10,127	4,404	43%
Loss on asset impairment and restructuring	22,135	2,452	19,683	803%
Total operating expenses	\$ 167,840	\$ 187,389	\$ (19,549)	(10%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$131.2 million in the nine months ended December 31, 2024, as compared to \$174.8 million in the nine months ended December 31, 2023.

General and administrative expense was \$52.7 million in the nine months ended December 31, 2024, as compared to \$69.7 million in the nine months ended December 31, 2023. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Sales and marketing expense was \$45.7 million in the nine months ended December 31, 2024, as compared to \$58.7 million in the nine months ended December 31, 2023. The year-over-year decrease is primarily attributable to: (i) the This Works Divestiture on December 18, 2023 and (ii) the impact of the restructuring actions and cost savings program initiated in the fourth quarter of fiscal 2023.

Acquisition, divestiture, and other costs were \$14.7 million in the nine months ended December 31, 2024, as compared to \$24.4 million in the nine months ended December 31, 2023. In the nine months ended December 31, 2024, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit;
- the reorganization of Canopy USA;
- costs associated with the Debt Acquisition of Acreage; and
- costs relating to the modification of the Credit Agreement that occurred in August 2024.

Comparatively, in the nine months ended December 31, 2023, costs were incurred primarily in relation to:

- costs relating to the modification of the Credit Agreement that occurred in July 2023;
- legal and audit costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit;
- the reorganization of Canopy USA; and
- evaluating other potential acquisition opportunities.

Depreciation and amortization expense was \$18.1 million in the nine months ended December 31, 2024, as compared to \$22.1 million in the nine months ended December 31, 2023. The year-over-year decrease is primarily attributable to the previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business.

Share-based compensation expense

Share-based compensation expense was \$14.5 million in the nine months ended December 31, 2024, as compared to \$10.1 million in the nine months ended December 31, 2023. The year-over-year increase is primarily attributable to: (i) the first quarter of fiscal 2025 grant of 0.8 million options and 0.7 million restricted share units, and (ii) higher forfeitures in the first three quarters of fiscal 2024 due to previously-noted restructuring actions.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses were \$22.1 million in the nine months ended December 31, 2024, as compared to \$2.5 million in the nine months ended December 31, 2023.

Loss on asset impairment and restructuring recorded in the nine months ended December 31, 2024 related primarily to the non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the surrender agreement.

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

Other

The following table presents other income (expense), net, and income tax expense for the nine months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2024	2023		
	(As Restated)	(As Restated)		
Other income (expense), net	(212,547)	(233,523)	20,976	9%
Income tax expense	(6,812)	(13,762)	6,950	51%

Other income (expense), net

Other income (expense), net was an expense amount of \$212.5 million in the nine months ended December 31, 2024, as compared to an expense amount of \$233.5 million in the nine months ended December 31, 2023. The year-over-year change of \$21.0 million is primarily attributable to:

- Change of \$48.7 million related to non-cash fair value changes on our Canopy USA related and other financial assets, from an expense amount of \$163.9 million in the nine months ended December 31, 2023 to an expense amount of \$212.6 million in the nine months ended December 31, 2024. The expense amount recognized in the nine months ended December 31, 2024 is primarily attributable to fair value decreases relating to our investments in:
 - the Canopy USA equity method investment in the amount of \$230.0 million;
 - the Acreage Debt loan receivable, in the amount of \$1.2 million, primarily attributable to changes in market conditions and assumptions;
 - the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the nine months ended December 31, 2024 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Growth common shares that were expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares that were expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
 - Indiva shares, in the amount of \$2.8 million due a decrease in their share price as a result of their CCAA proceedings.

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

- the Elevate loan receivable, in the amount of \$24.8 million relating to fair value movements in consideration of the debtor's net assets;
- the TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;

- the TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date; and
- the Acreage debt Option Premium, in the amount of \$3.1 million related to closing of the Acreage Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Option Agreement.

Comparatively, the expense amount in the nine months ended December 31, 2023 was primarily attributable to fair value decreases relating to our investments in: (i) the Wana financial instrument (\$111.8 million); (ii) the Jetty financial instrument (\$27.2 million); (iii) the Acreage financial instrument (\$22.3 million); and (iv) the Hempco Debenture (\$15.8 million). The fair value decreases were partially offset by fair value increases associated with our investments in: (i) the TerrAscend Exchangeable Shares (\$10.2 million); and (ii) the TerrAscend Warrants (\$2.7 million).

- Decrease in expense of \$30.6 million related to non-cash fair value changes on our debt, from \$30.6 million in the nine months ended December 31, 2023 to \$nil in the nine months ended December 31, 2024. The year-over-year change is driven primarily by the fair value change of the CBI Note in the nine months ended December 31, 2023. In the nine months ended December 31, 2024 there are no debt balances recorded at fair value.
- Change of \$52.6 million related to fair value changes on acquisition related contingent consideration and other, from an income amount of \$19.1 million in the nine months ended December 31, 2023 to an expense amount of \$33.5 million in the nine months ended December 31, 2024. The fair value change in the nine months ended December 31, 2024 relates primarily to various acquisition related contingent consideration. Comparatively, the fair value change in the nine months ended December 31, 2023, related primarily to the estimated deferred payments associated with our investment in Wana.
- Change of \$35.6 million related to charges associated with the settlement of our debt, from an expense amount of \$13.1 million in the nine months ended December 31, 2023 to an income amount of \$22.4 million in the nine months ended December 31, 2024. In the nine months ended December 31, 2024 we recognized a gain of \$22.4 million, primarily in connection with the exchange of the CBI Note. Comparatively, in the nine months ended December 31, 2023, we recognized a charge in the amount of \$13.1 million which is primarily due to the settlement of our unsecured senior notes and principal repayments on the Credit Facility.
- Decrease in interest income of \$7.4 million, from \$13.8 million in the nine months ended December 31, 2023 to \$6.4 million in the nine months ended December 31, 2024. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
- Decrease in interest expense of \$25.0 million, from \$84.2 million in the nine months ended December 31, 2023 to \$59.2 million in the nine months ended December 31, 2024. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Increase in non-cash fair value gain of \$42.7 million related to fair value changes on warrant derivative liability, from a fair value gain of \$21.7 million in the nine months ended December 31, 2023 to a fair value gain of \$64.4 million in the nine months ended December 31, 2024. The fair value change was driven by the decrease in our share price during the period.

Income tax expense

Income tax expense in the nine months ended December 31, 2024 was \$6.8 million, compared to income tax expense of \$13.8 million in the nine months ended December 31, 2023. In the nine months ended December 31, 2024, income tax expense consisted of deferred income tax expense of \$6.4 million (compared to an expense of \$13.4 million in the nine months ended December 31, 2023) and current income tax expense of \$0.4 million (compared to an expense of \$0.4 million in the nine months ended December 31, 2023).

The decrease of \$7.0 million in the deferred income tax expense is primarily a result of: (i) a decrease due to the settlements of the Canopy Notes in fiscal 2024 relative to the settlements of the CBI Note in fiscal 2025; and (ii) an increase due to the realization of deferred taxes for entities that historically did not meet the deferred tax asset recognition criteria.

The current income tax expense remained consistent period over period and arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the nine months ended December 31, 2024 was \$318.2 million, as compared to a net loss of \$369.3 million in the nine months ended December 31, 2023. The year-over-year decrease in the net loss is primarily attributable to: (i) the decrease in selling, general and administrative expenses and improvement in gross margins; (ii) reduction in income tax expense; and (iii) decrease in other income (expense), net of \$21.0 million. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the nine months ended December 31, 2024 and 2023:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2024	2023		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (318,232)	\$ (369,260)	\$ 51,028	14%
Income tax expense	6,812	13,762	(6,950)	(51%)
Other (income) expense, net	212,547	233,523	(20,976)	(9%)
Share-based compensation	14,531	10,127	4,404	43%
Acquisition, divestiture, and other costs	16,300	24,373	(8,073)	(33%)
Depreciation and amortization ¹	31,651	41,881	(10,230)	(24%)
Loss (gain) on asset impairment and restructuring	22,135	2,452	19,683	803%
Restructuring costs recorded in cost of goods sold	-	(689)	689	100%
Adjusted EBITDA	<u>\$ (14,256)</u>	<u>\$ (43,831)</u>	<u>\$ 29,575</u>	<u>67%</u>

The Adjusted EBITDA loss in the nine months ended December 31, 2024 was \$14.3 million, as compared to an Adjusted EBITDA loss of \$43.8 million in the nine months ended December 31, 2023. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to the year-over-year increase in our gross margin and the year-over-year decrease in our selling, general and administrative expenses.

Discussion of Results of Operations for the Three Months Ended June 30, 2025

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Three months ended June 30,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 72,134	\$ 66,212	\$ 5,922	9%
Gross margin percentage	25%	35%	-	(1,000) bps
Net loss from continuing operations	\$ (44,861)	\$ (107,928)	\$ 63,067	58%
Basic and diluted loss per share from continuing operations ¹	\$ (0.24)	\$ (1.36)	\$ 1.12	82%

¹ For the three months ended June 30, 2025, the weighted average number of outstanding Canopy Shares, basic and diluted, totaled 188,321,555 (three months ended June 30, 2024 - 79,243,020).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the three months ended June 30, 2025 and 2024:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 27,021	\$ 18,883	\$ 8,138	43%
Canadian medical cannabis ²	21,206	18,795	2,411	13%
International markets cannabis	8,755	8,415	340	4%
	<u>\$ 56,982</u>	<u>\$ 46,093</u>	<u>\$ 10,889</u>	<u>24%</u>
Storz & Bickel	<u>\$ 15,152</u>	<u>\$ 20,119</u>	<u>\$ (4,967)</u>	<u>(25%)</u>
Net revenue	<u>\$ 72,134</u>	<u>\$ 66,212</u>	<u>\$ 5,922</u>	<u>9%</u>

¹ Includes excise taxes of \$14,199 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$923 for the three months ended June 30, 2025 (three months ended June 30, 2024 - excise taxes of \$7,517 and other revenue adjustments of \$1,200).

² Includes excise taxes of \$2,415 for the three months ended June 30, 2025 (three months ended June 30, 2024 - \$2,054).

Net revenue was \$72.1 million in the first quarter of fiscal 2026, an increase of \$5.9 million as compared to \$66.2 million in the first quarter of fiscal 2025.

Cannabis

Net revenue from our Cannabis segment was \$57.0 million in the first quarter of fiscal 2026, as compared to \$46.1 million in the first quarter of fiscal 2025.

Canadian adult-use cannabis net revenue was \$27.0 million in the first quarter of fiscal 2026, as compared to \$18.9 million in the first quarter of fiscal 2025. The year-over-year increase is primarily attributable to growth in flower and infused PRJ offerings, partially offset by declines in edibles and non-infused PRJs.

Canadian medical cannabis net revenue was \$21.2 million in the first quarter of fiscal 2026, as compared to \$18.8 million in the first quarter of fiscal 2025. The year-over-year increase is primarily attributable to an increase in the number of insured customers, increased order sizes from our insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$8.8 million in the first quarter of fiscal 2026, as compared to \$8.4 million in the first quarter of fiscal 2025. The year-over-year increase is primarily attributable to the increased shipments of flower products in Europe, which was offset by a decline in our Australian medical cannabis business.

Storz & Bickel

Revenue from Storz & Bickel was \$15.2 million in the first quarter of fiscal 2026, as compared to \$20.1 million in the first quarter of fiscal 2025. The year-over-year decrease is primarily attributable to lapping strong sales in the prior year and consumer economic uncertainty.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended June 30, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended June 30,		\$ Change	% Change
	2025	2024		
Net revenue	\$ 72,134	\$ 66,212	\$ 5,922	9%
Cost of goods sold	\$ 54,096	\$ 43,181	\$ 10,915	25%
Gross margin	18,038	23,031	(4,993)	(22%)
Gross margin percentage	25%	35%	-	(1,000) bps

Cost of goods sold was \$54.1 million in the first quarter of fiscal 2026, as compared to \$43.2 million in the first quarter of fiscal 2025. Our gross margin was \$18.0 million in the first quarter of fiscal 2026, or 25% of net revenue, as compared to a gross margin of \$23.0 million and gross margin percentage of 35% of net revenue in the first quarter of fiscal 2025. The year-over-year decrease in the gross margin percentage is primarily attributable to costs related to new product launches, as well as shifts in both product and geographical mix, and increases in freight costs.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the three months ended June 30, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended June 30,		\$ Change	% Change
	2025	2024		
Cannabis segment				
Net revenue	\$ 56,982	\$ 46,093	\$ 10,889	24%
Cost of goods sold	43,391	30,822	12,569	41%
Gross margin	13,591	15,271	1,680	(11%)
Gross margin percentage	24%	33%		(900) bps
Storz & Bickel segment				
Revenue	\$ 15,152	\$ 20,119	\$ (4,967)	(25%)
Cost of goods sold	10,705	12,359	(1,654)	(13%)
Gross margin	4,447	7,760	(3,313)	(43%)
Gross margin percentage	29%	39%		(1,000) bps

Cannabis

Gross margin for our Cannabis segment was \$13.6 million in the first quarter of fiscal 2026, or 24% of net revenue, as compared to \$15.3 million in the first quarter of fiscal 2025, or 33% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to costs related to new product launches and a shift in both product and geographical mix.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$4.4 million in the first quarter of fiscal 2026, or 29% of net revenue, as compared to \$7.8 million in the first quarter of fiscal 2025, or 39% of net revenue. The year-over-year decrease in the gross margin percentage is primarily attributable to lower sales and shifts in geographic mix.

Operating Expenses

The following table presents operating expenses for the three months ended June 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		\$ Change	% Change
	2025	2024		
Operating expenses				
General and administrative	\$ 14,698	\$ 18,907	\$ (4,209)	(22%)
Sales and marketing	15,833	15,248	585	4%
Acquisition, divestiture, and other costs	2,111	7,775	(5,664)	(73%)
Depreciation and amortization	5,466	6,038	(572)	(9%)
Selling, general and administrative expenses	38,108	47,968	(9,860)	(21%)
Share-based compensation expense	(99)	4,151	(4,250)	(102%)
Loss on asset impairment and restructuring	2,653	20	2,633	13,165%
Total operating expenses	\$ 40,662	\$ 52,139	\$ (11,477)	(22%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$38.1 million in the first quarter of fiscal 2026, as compared to \$48.0 million in the first quarter of fiscal 2025.

General and administrative expense was \$14.7 million in the first quarter of fiscal 2026, as compared to \$18.9 million in the first quarter of fiscal 2025. The year-over-year decrease is primarily attributable to: (i) continued reductions in headcount; and (ii) lower third party costs, including insurance, professional fees and IT costs.

Sales and marketing expense was \$15.8 million in the first quarter of fiscal 2026, as compared to \$15.2 million in the first quarter of fiscal 2025. The year-over-year increase is primarily attributable to increased costs associated with: (i) customer acquisition costs; and (ii) royalties and other variable marketing costs. The increased costs were partially offset by continued reductions in headcount.

Acquisition, divestiture, and other costs were \$2.1 million in the first quarter of fiscal 2026, as compared to \$7.8 million in the first quarter of fiscal 2025. In the first quarter of fiscal 2026, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods; and
- other non-recurring acquisition and divestiture costs.

Comparatively, in the first quarter of fiscal 2025, costs were incurred primarily in relation to:

- the reorganization of Canopy USA;
- costs associated with the Debt Acquisition of Acreage; and
- continued legal costs arising from the restatement of our consolidated financial statements for the periods described above, in connection with the review of the financial reporting matters related to the BioSteel business unit.

Depreciation and amortization expense was \$5.5 million in the first quarter of fiscal 2026, as compared to \$6.0 million in the first quarter of fiscal 2025. The year-over-year decrease is primarily attributable to the reduction in new capital expenditures.

Share-based compensation

Share-based compensation was -\$0.1 million in the first quarter of fiscal 2026, as compared to \$4.2 million in the first quarter of fiscal 2025. The year-over-year decrease is primarily attributable to: (i) higher estimated forfeitures in the first quarter of fiscal 2026

due to departures of certain executives; and (ii) lower expense due to reduced headcount. The decrease is offset by the first quarter of fiscal 2026 grant of 2.5 million options and 3.3 million restricted share units.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was \$2.7 million in the first quarter of fiscal 2026, as compared to \$0.02 million in the first quarter of fiscal 2025.

Loss on asset impairment and restructuring recorded in the first quarter of fiscal 2026 related primarily to employee restructuring costs.

Comparatively, in the first quarter of fiscal 2025, the loss on asset impairment and restructuring related primarily to employee restructuring costs and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended June 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		<u>\$ Change</u>	<u>% Change</u>
	<u>2025</u>	<u>2024</u>		
	(As Restated)	(As Restated)		
Other income (expense), net	(21,946)	(72,626)	50,680	70%
Income tax expense	(291)	(6,194)	5,903	95%

Other income (expense), net

Other income (expense), net was an expense amount of \$21.9 million in the first quarter of fiscal 2026, as compared to an expense amount of \$72.6 million in the first quarter of fiscal 2025. The year-over-year change of \$50.7 million is primarily attributable to:

- Change of \$65.1 million related to non-cash fair value changes on our Canopy USA related assets and other financial assets, from an expense amount of \$75.2 million in the first quarter of fiscal 2025 to an expense amount of \$10.1 million in the first quarter of fiscal 2026. The expense amount recognized in the first quarter of fiscal 2026 is primarily attributable to a fair value decrease relating to our investment in:
 - the Canopy USA LPs equity method investment in the amount of \$15.6 million.

This fair value decrease was partially offset by a fair value increase related to our investment in:

- the Elevate loan receivable, in the amount of \$5.5 million relating to fair value movements in consideration of the debtor's net assets.

Comparatively, the expense amount in the first quarter of fiscal 2025 was primarily attributable to fair value decreases relating to our investments in:

- the Canopy USA and the Canopy USA LPs equity method investments in the aggregate amount of \$76.0 million;
- the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fair value decrease in the first quarter of fiscal 2025 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
- Indiva shares, in the amount of \$2.8 million due a decrease in their share price as a result of their CCAA proceedings.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the Elevate loan receivable, in the amount of \$7.3 million relating to fair value movements in consideration of the debtor's net assets; and
- the Acreage debt Option Premium, in the amount of \$3.1 million related to closing of the Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Option Agreement.

- Change of \$26.8 million related to fair value changes on acquisition related contingent consideration and other, from an expense amount of \$26.8 million in the first quarter of fiscal 2025 to \$nil in the first quarter of fiscal 2026. No fair value changes occurred in the first quarter of fiscal 2026. Comparatively, the fair value change in the first quarter of fiscal 2025, related primarily to various acquisition related contingent consideration.
- Change of \$22.1 million related to charges associated with the settlement of our debt, from an income amount of \$22.1 million in the first quarter of fiscal 2025 to \$nil in the first quarter of fiscal 2026. In the first quarter of fiscal 2026, settlement of debt balances did not result in any gains or losses. Comparatively, in the first quarter of fiscal 2025, we recognized a gain of \$22.1 million, primarily in connection with the exchange of the CBI Note.
- Decrease in interest income of \$1.0 million, from \$2.1 million in the first quarter of fiscal 2025 to \$1.1 million in the first quarter of fiscal 2026. The year-over-year decrease is attributable to lower cash and cash equivalents and short-term investment balances.
- Decrease in interest expense of \$11.4 million, from \$21.1 million in the first quarter of fiscal 2025 to \$9.7 million in the first quarter of fiscal 2026. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Decrease in non-cash fair value gain of \$24.6 million related to fair value changes on warrant derivative liability, from a fair value gain of \$21.3 million in the first quarter of fiscal 2025 to a fair value loss of \$3.3 million in the first quarter of fiscal 2026. The fair value change was driven by movement in our share price during the period.

Income tax expense

Income tax expense in the first quarter of fiscal 2026 was \$0.3 million, compared to income tax expense of \$6.2 million in the first quarter of fiscal 2025. In the first quarter of fiscal 2026, income tax expense consisted of deferred income tax expense of \$0.1 million (compared to an expense of \$6.0 million in the first quarter of fiscal 2025) and current income tax expense of \$0.2 million (compared to an expense of \$0.2 million in the first quarter of fiscal 2025).

The decrease of \$5.9 million in the deferred income tax expense is primarily a result of the settlement of the CBI Note in the first quarter of fiscal 2025, that did not recur in the first quarter of fiscal 2026 and utilization of losses for tax purposes, where the accounting criteria for recognition of an asset has been met.

The current income tax expense remained consistent year over year and arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the first quarter of fiscal 2026 was \$44.9 million, as compared to a net loss of \$107.9 million in the first quarter of fiscal 2025. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$50.7 million; and (ii) the decrease in operating loss from continuing operations. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended June 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended June 30,		\$ Change	% Change
	2025 (As Restated)	2024 (As Restated)		
Net loss from continuing operations	\$ (44,861)	\$ (107,928)	\$ 63,067	58%
Income tax expense	291	6,194	(5,903)	(95%)
Other (income) expense, net	21,946	72,626	(50,680)	(70%)
Share-based compensation	(99)	4,151	(4,250)	(102%)
Acquisition, divestiture, and other costs	2,484	8,627	(6,143)	(71%)
Depreciation and amortization	9,670	11,030	(1,360)	(12%)
Loss (gain) on asset impairment and restructuring	2,653	20	2,633	13,165%
Adjusted EBITDA	\$ (7,916)	\$ (5,280)	\$ (2,636)	(50%)

The Adjusted EBITDA loss in the first quarter of fiscal 2026 was \$7.9 million, as compared to an Adjusted EBITDA loss of \$5.3 million in the first quarter of fiscal 2025. The year-over-year increase in Adjusted EBITDA loss is primarily attributable to softer gross margins across the business, offset by selling, general and administrative expense cost savings.

Discussion of Results of Operations for the Three and Six Months Ended September 30, 2025

Discussion of Second Quarter of Fiscal 2026 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	<u>Three months ended September 30,</u>			
	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Selected consolidated financial information:				
Net revenue	\$ 66,683	\$ 62,991	\$ 3,692	6%
Gross margin percentage	33%	35%	-	(200) bps
Net loss from continuing operations	\$ (4,978)	\$ (112,220)	\$ 107,242	96%
Basic and diluted loss per share from continuing operations ¹	\$ (0.02)	\$ (1.30)	\$ 1.28	98%

¹ For the three months ended September 30, 2025, the weighted average number of outstanding Canopy Shares, basic and diluted, totaled 274,025,102 (three months ended September 30, 2024 - 86,827,991).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the three months ended September 30, 2025 and 2024:

Net Revenue <i>(in thousands of Canadian dollars)</i>	<u>Three months ended September 30,</u>			
	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 23,940	\$ 18,388	\$ 5,552	30%
Canadian medical cannabis ²	21,821	18,689	3,132	17%
International markets cannabis ³	5,091	8,346	(3,255)	(39%)
	<u>\$ 50,852</u>	<u>\$ 45,423</u>	<u>\$ 5,429</u>	<u>12%</u>
Storz & Bickel	<u>\$ 15,831</u>	<u>\$ 17,568</u>	<u>\$ (1,737)</u>	<u>(10%)</u>
Net revenue	<u>\$ 66,683</u>	<u>\$ 62,991</u>	<u>\$ 3,692</u>	<u>6%</u>

¹ Includes excise taxes of \$13,802 and other revenue adjustments, representing our determination of returns and pricing adjustments, of -\$37 for the three months ended September 30, 2025 (three months ended September 30, 2024 - excise taxes of \$8,903 and other revenue adjustments of \$1,300).

² Includes excise taxes of \$2,513 for the three months ended September 30, 2025 (three months ended September 30, 2024 - \$2,064).

³ Reflects other revenue adjustments of \$359 for the three months ended September 30, 2025 (three months ended September 30, 2024 - \$nil).

Net revenue was \$66.7 million in the second quarter of fiscal 2026, an increase of \$3.7 million as compared to \$63.0 million in the second quarter of fiscal 2025.

Cannabis

Net revenue from our Cannabis segment was \$50.9 million in the second quarter of fiscal 2026, as compared to \$45.4 million in the second quarter of fiscal 2025.

Canadian adult-use cannabis net revenue was \$23.9 million in the second quarter of fiscal 2026, as compared to \$18.4 million in the second quarter of fiscal 2025. The year-over-year increase is primarily attributable to growth in infused PRJ offerings and new All-In-One vaporizers which launched in the first quarter of fiscal 2026, partially offset by declines in edibles and non-infused PRJs.

Canadian medical cannabis net revenue was \$21.8 million in the second quarter of fiscal 2026, as compared to \$18.7 million in the second quarter of fiscal 2025. The year-over-year increase is primarily attributable to an increase in the number of insured customers, increased order sizes from our insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$5.1 million in the second quarter of fiscal 2026, as compared to \$8.3 million in the second quarter of fiscal 2025. The year-over-year decrease is primarily attributable to supply chain challenges in Europe.

Storz & Bickel

Revenue from Storz & Bickel was \$15.8 million in the second quarter of fiscal 2026, as compared to \$17.6 million in the second quarter of fiscal 2025. The year-over-year decrease is primarily attributable to lapping strong sales in the prior year and continued consumer economic uncertainty, offset by our new product launch in September 2025.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended September 30,		\$ Change	% Change
	2025	2024		
Net revenue	\$ 66,683	\$ 62,991	\$ 3,692	6%
Cost of goods sold	\$ 44,778	\$ 41,153	\$ 3,625	9%
Gross margin	21,905	21,838	67	0.3%
Gross margin percentage	33%	35%	-	(200) bps

Cost of goods sold was \$44.8 million in the second quarter of fiscal 2026, as compared to \$41.2 million in the second quarter of fiscal 2025. Our gross margin was \$21.9 million in the second quarter of fiscal 2026, or 33% of net revenue, as compared to a gross margin of \$21.8 million and gross margin percentage of 35% of net revenue in the second quarter of fiscal 2025.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the three months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended September 30,		\$ Change	% Change
	2025	2024		
Cannabis segment				
Net revenue	\$ 50,852	\$ 45,423	\$ 5,429	12%
Cost of goods sold	34,979	29,272	5,707	19%
Gross margin	15,873	16,151	(278)	(2%)
Gross margin percentage	31%	36%		(500) bps
Storz & Bickel segment				
Revenue	\$ 15,831	\$ 17,568	\$ (1,737)	(10%)
Cost of goods sold	9,799	11,881	(2,082)	(18%)
Gross margin	6,032	5,687	345	6%
Gross margin percentage	38%	32%		600 bps

Cannabis

Gross margin for our Cannabis segment was \$15.9 million in the second quarter of fiscal 2026, or 31% of net revenue, as compared to \$16.2 million in the second quarter of fiscal 2025, or 36% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower sales relating to international markets cannabis and higher inventory provisions.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$6.0 million in the second quarter of fiscal 2026, or 38% of net revenue, as compared to \$5.7 million in the second quarter of fiscal 2025, or 32% of net revenue. The year-over-year increase in the gross margin percentage is primarily attributable to the fact that prior year gross margins were depressed due to discounts provided to clear out remaining stock of previously discontinued product and no significant discounts were provided on sales in the current period.

Operating Expenses

The following table presents operating expenses for the three months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		\$ Change	% Change
	2025	2024		
Operating expenses				
General and administrative	\$ 14,412	\$ 16,798	\$ (2,386)	(14%)
Sales and marketing	15,120	14,983	137	1%
Acquisition, divestiture, and other costs	1,730	3,930	(2,200)	(56%)
Depreciation and amortization	5,034	6,019	(985)	(16%)
Selling, general and administrative expenses	36,296	41,730	(5,434)	(13%)
Share-based compensation expense	2,009	5,221	(3,212)	(62%)
Loss on asset impairment and restructuring	494	20,830	(20,336)	(98%)
Total operating expenses	\$ 38,799	\$ 67,781	\$ (28,982)	(43%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$36.3 million in the second quarter of fiscal 2026, as compared to \$41.7 million in the second quarter of fiscal 2025.

General and administrative expense was \$14.4 million in the second quarter of fiscal 2026, as compared to \$16.8 million in the second quarter of fiscal 2025. The year-over-year decrease is primarily attributable to: (i) continued reductions in headcount; and (ii) lower third party costs, including insurance, professional fees and IT costs.

Sales and marketing expense was \$15.1 million in the second quarter of fiscal 2026, as compared to \$15.0 million in the second quarter of fiscal 2025. The year-over-year increase is primarily attributable to increased costs associated with: (i) customer acquisition costs; and (ii) royalties and other variable marketing costs. The increased costs were partially offset by continued reductions in headcount.

Acquisition, divestiture, and other costs were \$1.7 million in the second quarter of fiscal 2026, as compared to \$3.9 million in the second quarter of fiscal 2025. In the second quarter of fiscal 2026, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods; and
- other non-recurring acquisition, divestiture and litigation costs.

Comparatively, in the second quarter of fiscal 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods;
- the strategic transactions completed in connection with the creation of Canopy USA; and
- costs relating to the modification of the Credit Agreement that occurred in August 2024.

Depreciation and amortization expense was \$5.0 million in the second quarter of fiscal 2026, as compared to \$6.0 million in the second quarter of fiscal 2025. The year-over-year decrease is primarily attributable to the reduction in new capital expenditures.

Share-based compensation

Share-based compensation was \$2.0 million in the second quarter of fiscal 2026, as compared to \$5.2 million in the second quarter of fiscal 2025. The year-over-year decrease is primarily attributable to lower expense due to reduced headcount. The decrease is partially offset by fiscal 2026 grants of 2.8 million options and 3.8 million restricted share units.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was \$0.5 million in the second quarter of fiscal 2026, as compared to \$20.8 million in the second quarter of fiscal 2025.

Loss on asset impairment and restructuring recorded in the second quarter of fiscal 2026 related primarily to employee restructuring costs.

Comparatively, in the second quarter of fiscal 2025, the loss on asset impairment and restructuring related primarily to the non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	(As Restated)	(As Restated)		
Other income (expense), net	12,130	(65,975)	78,105	118%
Income tax expense	(214)	(302)	88	29%

Other income (expense), net

Other income (expense), net was an income amount of \$12.1 million in the second quarter of fiscal 2026, as compared to an expense amount of \$66.0 million in the second quarter of fiscal 2025. The year-over-year change of \$78.1 million is primarily attributable to:

- Change of \$85.0 million related to non-cash fair value changes on our Canopy USA related assets and other financial assets, from an expense amount of \$61.1 million in the second quarter of fiscal 2025 to an income amount of \$23.9 million in the second quarter of fiscal 2026. The income amount recognized in the second quarter of fiscal 2026 is primarily attributable to a fair value increase relating to our investment in:
 - the Canopy USA LPs equity method investment in the amount of \$42.0 million.

This fair value increase was partially offset by a fair value decrease related to our investment in:

- the Elevate loan receivable, in the amount of \$18.1 million relating to fair value movements in consideration of the debtor's net assets.

Comparatively, the expense amount in the second quarter of fiscal 2025 was primarily attributable to fair value decreases relating to our investments in:

- the Canopy USA and the Canopy USA LPs equity method investments in the aggregate amount of \$13.7 million;
- the Elevate loan receivable, in the amount of \$41.9 million relating to fair value movements in consideration of the debtor's net assets; and
- the Acreage Debt loan receivable, in the amount of \$5.5 million, primarily attributable to changes in market conditions and assumptions.

- Change of \$6.7 million related to fair value changes on acquisition related contingent consideration and other, from an expense amount of \$6.7 million in the second quarter of fiscal 2025 to \$nil in the second quarter of fiscal 2026. No fair value changes occurred in the second quarter of fiscal 2026. Comparatively, the fair value change in the second quarter of fiscal 2025, related primarily to acquisition consideration from a divestiture-related asset.
- Change of \$1.6 million related to charges associated with the settlement of our debt, from an income amount of \$0.3 million in the second quarter of fiscal 2025 to an expense amount of \$1.3 million in the second quarter of fiscal 2026. In the second quarter of fiscal 2026, settlement of debt balances were made at par and included a write-off of deferred financing costs which resulted in a loss for the period. Comparatively, in the second quarter of fiscal 2025, we recognized a gain of \$0.3 million, primarily in connection with the partial settlement of the Supreme Debentures.
- Decrease in interest income of \$0.4 million, from \$2.4 million in the second quarter of fiscal 2025 to \$2.0 million in the second quarter of fiscal 2026. The year-over-year decrease is attributable to lower interest rates.
- Decrease in interest expense of \$12.5 million, from \$21.3 million in the second quarter of fiscal 2025 to \$8.8 million in the second quarter of fiscal 2026. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Decrease in non-cash fair value gain of \$22.6 million related to fair value changes on warrant derivative liability, from a fair value gain of \$19.3 million in the second quarter of fiscal 2025 to a fair value loss of \$3.3 million in the second quarter of fiscal 2026. The fair value change was driven by movement in our share price during the period.

Income tax expense

Income tax expense in the second quarter of fiscal 2026 was \$0.2 million, compared to income tax expense of \$0.3 million in the second quarter of fiscal 2025. In the second quarter of fiscal 2026, income tax expense consisted of deferred income tax recovery of \$0.1 million (compared to an expense of \$0.2 million in the second quarter of fiscal 2025) and current income tax expense of \$0.3 million (compared to an expense of \$0.1 million in the second quarter of fiscal 2025).

The change of \$0.3 million from a deferred income tax expense to a deferred income tax recovery is primarily a result of the utilization of losses for tax purposes, where the accounting criteria for recognition of an asset has been met.

The increase of \$0.2 million in the current income tax expense arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the second quarter of fiscal 2026 was \$5.0 million, as compared to a net loss of \$112.2 million in the second quarter of fiscal 2025. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$78.1 million; and (ii) the decrease in operating loss from continuing operations. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		\$ Change	% Change
	2025	2024		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (4,978)	\$ (112,220)	\$ 107,242	96%
Income tax expense	214	302	(88)	(29%)
Other (income) expense, net	(12,130)	65,975	(78,105)	(118%)
Share-based compensation	2,009	5,221	(3,212)	(62%)
Acquisition, divestiture, and other costs	2,097	4,078	(1,981)	(49%)
Depreciation and amortization	9,245	10,307	(1,062)	(10%)
Loss (gain) on asset impairment and restructuring	494	20,830	(20,336)	(98%)
Adjusted EBITDA	<u>\$ (3,049)</u>	<u>\$ (5,507)</u>	<u>\$ 2,458</u>	<u>45%</u>

The Adjusted EBITDA loss in the second quarter of fiscal 2026 was \$3.0 million, as compared to an Adjusted EBITDA loss of \$5.5 million in the second quarter of fiscal 2025. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to selling, general and administrative expense cost savings.

Discussion of Results of Operations for the Six Months Ended September 30, 2025

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Six months ended September 30,		\$ Change	% Change
	2025	2024		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 138,817	\$ 129,203	\$ 9,614	7%
Gross margin percentage	29%	35%	-	(600) bps
Net loss from continuing operations	\$ (49,839)	\$ (220,149)	\$ 170,310	77%
Basic and diluted loss per share from continuing operations ¹	\$ (0.22)	\$ (2.65)	\$ 2.43	92%

¹ For the six months ended September 30, 2025, the weighted average number of outstanding common shares, basic and diluted, totaled 231,407,491 (six months ended September 30, 2024 - 83,056,230).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the six months ended September 30, 2025 and 2024:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		\$ Change	% Change
	2025	2024		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 50,961	\$ 37,271	\$ 13,690	37%
Canadian medical cannabis ²	43,027	37,484	5,543	15%
International markets cannabis ³	13,846	16,761	(2,915)	(17%)
	<u>\$ 107,834</u>	<u>\$ 91,516</u>	<u>\$ 16,318</u>	<u>18%</u>
Storz & Bickel	<u>\$ 30,983</u>	<u>\$ 37,687</u>	<u>\$ (6,704)</u>	<u>(18%)</u>
Net revenue	<u>\$ 138,817</u>	<u>\$ 129,203</u>	<u>\$ 9,614</u>	<u>7%</u>

¹ Reflects excise taxes of \$28,001 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$886 for the six months ended September 30, 2025 (six months ended September 30, 2024 - excise taxes of \$16,420 and other revenue adjustments of \$2,500).

² Reflects excise taxes of \$4,928 for the six months ended September 30, 2025 (six months ended September 30, 2024 - \$4,118).

³ Reflects other revenue adjustments of \$359 for the six months ended September 30, 2025 (six months ended September 30, 2024 - \$nil).

Net revenue was \$138.8 million in the six months ended September 30, 2025, an increase of \$9.6 million as compared to \$129.2 million in the six months ended September 30, 2024.

Cannabis

Net revenue from our Cannabis segment was \$107.8 million in the six months ended September 30, 2025, as compared to \$91.5 million in the six months ended September 30, 2024.

Canadian adult-use cannabis net revenue was \$51.0 million in the six months ended September 30, 2025, as compared to \$37.3 million in the six months ended September 30, 2024. The year-over-year increase is primarily attributable to growth in flower, infused PRJ offerings and new All-In-One vaporizers which launched in the first quarter of fiscal 2026, partially offset by declines in edibles and non-infused PRJs.

Canadian medical cannabis net revenue was \$43.0 million in the six months ended September 30, 2025, as compared to \$37.5 million in the six months ended September 30, 2024. The year-over-year increase is primarily attributable to an increase in the number of insured customers, increased order sizes from our insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$13.8 million in the six months ended September 30, 2025, as compared to \$16.8 million in the six months ended September 30, 2024. The year-over-year decrease is primarily attributable to supply chain challenges in Europe.

Storz & Bickel

Revenue from Storz & Bickel was \$31.0 million in the six months ended September 30, 2025, as compared to \$37.7 million in the six months ended September 30, 2024. The year-over-year decrease is primarily attributable to lapping strong sales in the prior year and continued consumer economic uncertainty, offset by our new product launch in September 2025.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the six months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Six months ended September 30,		\$ Change	% Change
	2025	2024		
Net revenue	\$ 138,817	\$ 129,203	\$ 9,614	7%
Cost of goods sold	\$ 98,874	\$ 84,334	\$ 14,540	17%
Gross margin	39,943	44,869	(4,926)	(11%)
Gross margin percentage	29%	35%	-	(600) bps

Cost of goods sold was \$98.9 million in the six months ended September 30, 2025, as compared to \$84.3 million in the six months ended September 30, 2024. Our gross margin was \$39.9 million in the six months ended September 30, 2025, or 29% of net

revenue, as compared to a gross margin of \$44.9 million and gross margin percentage of 35% of net revenue in the six months ended September 30, 2024.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the six months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Six months ended September 30,		\$ Change	% Change
	2025	2024		
Cannabis segment				
Net revenue	\$ 107,834	\$ 91,516	\$ 16,318	18%
Cost of goods sold	78,370	60,094	18,276	30%
Gross margin	29,464	31,422	(1,958)	(6%)
Gross margin percentage	27%	34%		(700) bps
Storz & Bickel segment				
Revenue	\$ 30,983	\$ 37,687	\$ (6,704)	(18%)
Cost of goods sold	20,504	24,240	(3,736)	(15%)
Gross margin	10,479	13,447	(2,968)	(22%)
Gross margin percentage	34%	36%		(200) bps

Cannabis

Gross margin for our Cannabis segment was \$29.5 million in the six months ended September 30, 2025, or 27% of net revenue, as compared to \$31.4 million in the six months ended September 30, 2024, or 34% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower sales relating to international markets cannabis, higher inventory provisions, costs related to new product launches and a shift in both product and geographical mix.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$10.5 million in the six months ended September 30, 2025, or 34% of net revenue, as compared to \$13.4 million in the six months ended September 30, 2024, or 36% of net revenue. The year-over-year decrease in the gross margin percentage is primarily attributable to lower sales and shifts in geographic mix, partially offset by the fact prior year gross margins were depressed due to discounts provided to clear out remaining stock of previously discontinued product and no significant discounts were provided on sales in the current period.

Operating Expenses

The following table presents operating expenses for the six months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Six months ended September 30,		\$ Change	% Change
	2025	2024		
Operating expenses				
General and administrative	\$ 29,110	\$ 35,705	\$ (6,595)	(18%)
Sales and marketing	30,953	30,231	722	2%
Acquisition, divestiture, and other costs	3,841	11,705	(7,864)	(67%)
Depreciation and amortization	10,500	12,057	(1,557)	(13%)
Selling, general and administrative expenses	74,404	89,698	(15,294)	(17%)
Share-based compensation expense	1,910	9,372	(7,462)	(80%)
Loss on asset impairment and restructuring	3,147	20,850	(17,703)	(85%)
Total operating expenses	\$ 79,461	\$ 119,920	\$ (40,459)	(34%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$74.4 million in the six months ended September 30, 2025, as compared to \$89.7 million in the six months ended September 30, 2024.

General and administrative expense was \$29.1 million in the six months ended September 30, 2025, as compared to \$35.7 million in the six months ended September 30, 2024. The year-over-year decrease is primarily attributable to: (i) continued reductions in headcount; and (ii) lower third party costs, including insurance, professional fees and IT costs.

Sales and marketing expense was \$31.0 million in the six months ended September 30, 2025, as compared to \$30.2 million in the six months ended September 30, 2024. The year-over-year increase is primarily attributable to increased costs associated with: (i) customer acquisition costs; and (ii) royalties and other variable marketing costs. The increased costs were partially offset by continued reductions in headcount.

Acquisition, divestiture, and other costs were \$3.8 million in the six months ended September 30, 2025, as compared to \$11.7 million in the six months ended September 30, 2024. In the six months ended September 30, 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods; and
- other non-recurring acquisition, divestiture and litigation costs.

Comparatively, in the six months ended September 30, 2024, costs were incurred primarily in relation to:

- the strategic transactions completed in connection with the creation of Canopy USA;
- costs associated with the Debt Acquisition of Acreage;
- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods; and
- costs relating to the modification of the Credit Agreement that occurred in August 2024.

Depreciation and amortization expense was \$10.5 million in the six months ended September 30, 2025, as compared to \$12.1 million in the six months ended September 30, 2024. The year-over-year decrease is primarily attributable to the reduction in new capital expenditures.

Share-based compensation

Share-based compensation was \$1.9 million in the six months ended September 30, 2025, as compared to \$9.4 million in the six months ended September 30, 2024. The year-over-year decrease is primarily attributable to: (i) higher estimated forfeitures in the first quarter of fiscal 2026 due to departures of certain executives; and (ii) lower expense due to reduced headcount. The decrease is partially offset by fiscal 2026 grants of 2.8 million options and 3.8 million restricted share units.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was \$3.1 million in the six months ended September 30, 2025, as compared to \$20.9 million in the six months ended September 30, 2024.

Loss on asset impairment and restructuring recorded in the six months ended September 30, 2025 related primarily to employee restructuring costs.

Comparatively, in the six months ended September 30, 2024, the loss on asset impairment and restructuring related primarily to non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the surrender agreement.

Other

The following table presents other income (expense), net, and income tax expense for the six months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	<u>Six months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2025</u>	<u>2024</u>		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Other income (expense), net	(9,816)	(138,602)	128,786	93%
Income tax expense	(505)	(6,496)	5,991	92%

Other income (expense), net

Other income (expense), net was an expense amount of \$9.8 million in the six months ended September 30, 2025, as compared to an expense amount of \$138.6 million in the six months ended September 30, 2024. The year-over-year change of \$128.8 million is primarily attributable to:

- Change of \$150.1 million related to non-cash fair value changes on our Canopy USA related assets and other financial assets, from an expense amount of \$136.3 million in the six months ended September 30, 2024 to an income amount of \$13.8 million in the six months ended September 30, 2025. The income amount recognized in the six months ended September 30, 2025 is primarily attributable to a fair value increase relating to our investment in:
 - the Canopy USA LPs equity method investment in the amount of \$26.4 million.

This fair value increase was partially offset by a fair value decrease related to our investment in:

- the Elevate loan receivable, in the amount of \$12.6 million relating to fair value movements in consideration of the debtor's net assets.

Comparatively, the expense amount in the six months ended September 30, 2024 was primarily attributable to fair value decreases relating to our investments in:

- the Canopy USA and the Canopy USA LPs equity method investments in the aggregate amount of \$89.6 million;
- the Elevate loan receivable, in the amount of \$34.6 million relating to fair value movements in consideration of the debtor's net assets; and
- the Acreage Debt loan receivable, in the amount of \$6.0 million, primarily attributable to changes in market conditions and assumptions.
- the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the arrangement agreement dated April 18, 2019, as amended on May 15, 2019, September 23, 2020 and November 17, 2020 (the "Existing Acreage Arrangement Agreement") and amended and restated plan of arrangement implemented by the Company and Acreage on September 23, 2020. The fair value decrease in the six months ended September 30, 2024 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
- Indiva shares, in the amount of \$2.8 million due a decrease in their share price as a result of their CCAA proceedings.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
 - the TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
 - the Elevate loan receivable, in the amount of \$7.3 million relating to fair value movements in consideration of the debtor's net assets; and
 - the Acreage debt Option Premium, in the amount of \$3.1 million related to closing of the Acreage Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Debt Acquisition.
- Change of \$33.5 million related to fair value changes on acquisition related contingent consideration and other, from an expense amount of \$33.5 million in the six months ended September 30, 2024 to \$nil in the six months ended September 30, 2025. No fair value changes occurred in the six months ended September 30, 2025. Comparatively, the fair value change in the six months ended September 30, 2024, related primarily to various acquisition related contingent consideration.
 - Change of \$23.7 million related to charges associated with the settlement of our debt, from an income amount of \$22.4 million in the six months ended September 30, 2024 to an expense amount of \$1.3 million in the six months ended September 30, 2025. In the six months ended September 30, 2025, settlement of debt balances were made at par and included a write-off of deferred financing costs which resulted in a loss for the period. Comparatively, in the six months ended September 30, 2024, we recognized a gain of \$22.4 million, primarily in connection with the exchange of the CBI Note.
 - Decrease in interest income of \$1.5 million, from \$4.5 million in the six months ended September 30, 2024 to \$3.0 million in the six months ended September 30, 2025. The year-over-year decrease is attributable to lower average cash and cash equivalents and short-term investment balances and lower interest rates.

- Decrease in interest expense of \$23.9 million, from \$42.4 million in the six months ended September 30, 2024 to \$18.5 million in the six months ended September 30, 2025. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Decrease in non-cash fair value gain of \$47.3 million related to fair value changes on warrant derivative liability, from a fair value gain of \$40.6 million in the six months ended September 30, 2024 to a fair value loss of \$6.7 million in the six months ended September 30, 2025. The fair value change was driven by movement in our share price during the period.

Income tax expense

Income tax expense in the six months ended September 30, 2025 was \$0.5 million, compared to income tax expense of \$6.5 million in the six months ended September 30, 2024. In the six months ended September 30, 2025, income tax expense consisted of deferred income tax expense of \$nil (compared to an expense of \$6.2 million in the six months ended September 30, 2024) and current income tax expense of \$0.5 million (compared to an expense of \$0.3 million in the six months ended September 30, 2024).

The decrease of \$6.2 million in the deferred income tax expense is primarily a result of the settlement of the CBI Note in fiscal 2025, that did not recur in fiscal 2026.

The current income tax expense remained consistent year over year and arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the six months ended September 30, 2025 was \$49.8 million, as compared to a net loss of \$220.1 million in the six months ended September 30, 2024. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$128.8 million; and (ii) the decrease in operating loss from continuing operations. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the six months ended September 30, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	<u>Six months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2025</u>	<u>2024</u>		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Net loss from continuing operations	\$ (49,839)	\$ (220,149)	\$ 170,310	77%
Income tax expense	505	6,496	(5,991)	(92%)
Other (income) expense, net	9,816	138,602	(128,786)	(93%)
Share-based compensation	1,910	9,372	(7,462)	(80%)
Acquisition, divestiture, and other costs	4,581	12,705	(8,124)	(64%)
Depreciation and amortization	18,915	21,337	(2,422)	(11%)
Loss (gain) on asset impairment and restructuring	3,147	20,850	(17,703)	(85%)
Adjusted EBITDA	<u>\$ (10,965)</u>	<u>\$ (10,787)</u>	<u>\$ (178)</u>	<u>(2%)</u>

The Adjusted EBITDA loss in the six months ended September 30, 2025 was \$11.0 million, as compared to an Adjusted EBITDA loss of \$10.8 million in the six months ended September 30, 2024. The year-over-year increase in Adjusted EBITDA loss is primarily attributable to softer gross margins across the business, offset by selling, general and administrative expense cost savings.

Discussion of Results of Operations for the Three and Nine Months Ended December 31, 2025

Discussion of Third Quarter of Fiscal 2026 Results of Operations

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	<u>Three months ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2025</u>	<u>2024</u>		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Selected consolidated financial information:				
Net revenue	\$ 74,541	\$ 74,761	\$ (220)	(0.3%)
Gross margin percentage	29%	32%	-	(300) bps
Net loss from continuing operations	\$ (58,345)	\$ (98,083)	\$ 39,738	41%
Basic and diluted loss per share from continuing operations ¹	\$ (0.17)	\$ (0.89)	\$ 0.72	81%

¹ For the three months ended December 31, 2025, the weighted average number of outstanding Canopy Shares, basic and diluted, totaled 345,534,979 (three months ended December 31, 2024 - 110,306,430).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the three months ended December 31, 2025 and 2024:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2025	2024		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 22,927	\$ 21,153	\$ 1,774	8%
Canadian medical cannabis ²	22,511	19,575	2,936	15%
International markets cannabis ³	6,209	8,974	(2,765)	(31%)
	<u>\$ 51,647</u>	<u>\$ 49,702</u>	<u>\$ 1,945</u>	<u>4%</u>
Storz & Bickel	<u>\$ 22,894</u>	<u>\$ 25,059</u>	<u>\$ (2,165)</u>	<u>(9%)</u>
Net revenue	<u>\$ 74,541</u>	<u>\$ 74,761</u>	<u>\$ (220)</u>	<u>(0.3%)</u>

¹ Includes excise taxes of \$13,239 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$324 for the three months ended December 31, 2025 (three months ended December 31, 2024 - excise taxes of \$9,335 and other revenue adjustments of \$924).

² Includes excise taxes of \$2,611 for the three months ended December 31, 2025 (three months ended December 31, 2024 - \$2,148).

³ Reflects other revenue adjustments of \$933 for the three months ended December 31, 2025 (three months ended December 31, 2024 - \$62).

Net revenue was \$74.5 million in the third quarter of fiscal 2026, a decrease of \$0.3 million as compared to \$74.8 million in the third quarter of fiscal 2025.

Cannabis

Net revenue from our Cannabis segment was \$51.6 million in the third quarter of fiscal 2026, as compared to \$49.7 million in the third quarter of fiscal 2025.

Canadian adult-use cannabis net revenue was \$22.9 million in the third quarter of fiscal 2026, as compared to \$21.2 million in the third quarter of fiscal 2025. The year-over-year increase is primarily attributable to growth in infused PRJ offerings and new All-In-One vaporizers which launched in the first quarter of fiscal 2026, partially offset by declines in edibles and non-infused PRJs.

Canadian medical cannabis net revenue was \$22.5 million in the third quarter of fiscal 2026, as compared to \$19.6 million in the third quarter of fiscal 2025. The year-over-year increase is primarily attributable to an increase in the number of insured customers, increased order sizes from our insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$6.2 million in the third quarter of fiscal 2026, as compared to \$9.0 million in the third quarter of fiscal 2025. The year-over-year decrease is primarily attributable to supply chain challenges in Europe.

Storz & Bickel

Revenue from Storz & Bickel was \$22.9 million in the third quarter of fiscal 2026, as compared to \$25.1 million in the third quarter of fiscal 2025. The year-over-year decrease is primarily attributable to lapping strong sales in the prior year and continued consumer economic uncertainty, offset by our new product launch in September 2025.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended December 31,		\$ Change	% Change
	2025	2024		
Net revenue	\$ 74,541	\$ 74,761	\$ (220)	(0.3%)
Cost of goods sold	\$ 53,075	\$ 50,663	\$ 2,412	5%
Gross margin	21,466	24,098	(2,632)	(11%)
Gross margin percentage	29%	32%	-	(300) bps

Cost of goods sold was \$53.1 million in the third quarter of fiscal 2026, as compared to \$50.7 million in the third quarter of fiscal 2025. Our gross margin was \$21.5 million in the third quarter of fiscal 2026, or 29% of net revenue, as compared to a gross margin of \$24.1 million and gross margin percentage of 32% of net revenue in the third quarter of fiscal 2025.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the three months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Three months ended December 31,		\$ Change	% Change
	2025	2024		
Cannabis segment				
Net revenue	\$ 51,647	\$ 49,702	\$ 1,945	4%
Cost of goods sold	38,671	35,596	3,075	9%
Gross margin	12,976	14,106	(1,130)	(8%)
Gross margin percentage	25%	28%		(300) bps
Storz & Bickel segment				
Revenue	\$ 22,894	\$ 25,059	\$ (2,165)	(9%)
Cost of goods sold	14,404	15,067	(663)	(4%)
Gross margin	8,490	9,992	(1,502)	(15%)
Gross margin percentage	37%	40%		(300) bps

Cannabis

Gross margin for our Cannabis segment was \$13.0 million in the third quarter of fiscal 2026, or 25% of net revenue, as compared to \$14.1 million in the third quarter of fiscal 2025, or 28% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower sales relating to international markets cannabis and change in sales mix.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$8.5 million in the third quarter of fiscal 2026, or 37% of net revenue, as compared to \$10.0 million in the third quarter of fiscal 2025, or 40% of net revenue. The year-over-year decrease in the gross margin percentage is primarily attributable to lower sales and increased tariffs on imports to the United States.

Operating Expenses

The following table presents operating expenses for the three months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		\$ Change	% Change
	2025	2024		
Operating expenses				
General and administrative	\$ 12,944	\$ 16,984	\$ (4,040)	(24%)
Sales and marketing	15,952	15,445	507	3%
Acquisition, divestiture, and other costs	10,758	3,036	7,722	254%
Depreciation and amortization	4,783	6,011	(1,228)	(20%)
Selling, general and administrative expenses	44,437	41,476	2,961	7%
Share-based compensation expense	888	5,159	(4,271)	(83%)
Loss on asset impairment and restructuring	2,491	1,285	1,206	94%
Total operating expenses	\$ 47,816	\$ 47,920	\$ (104)	(0.2%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$44.4 million in the third quarter of fiscal 2026, as compared to \$41.5 million in the third quarter of fiscal 2025.

General and administrative expense was \$12.9 million in the third quarter of fiscal 2026, as compared to \$17.0 million in the third quarter of fiscal 2025. The year-over-year decrease is primarily attributable to: (i) continued reductions in headcount; and (ii) lower third party costs, including insurance, professional fees and IT costs.

Sales and marketing expense was \$16.0 million in the third quarter of fiscal 2026, as compared to \$15.4 million in the third quarter of fiscal 2025. The year-over-year increase is primarily attributable to increased costs associated with: (i) customer acquisition costs; and (ii) royalties and other variable marketing costs. The increased costs were partially offset by continued reductions in headcount.

Acquisition, divestiture, and other costs were \$10.8 million in the third quarter of fiscal 2026, as compared to \$3.0 million in the third quarter of fiscal 2025. In the third quarter of fiscal 2026, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods;
- transaction costs associated with the proposed acquisition of MTL; and
- other non-recurring acquisition, divestiture and litigation costs and recoveries.

Comparatively, in the third quarter of fiscal 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods; and
- the strategic transactions completed in connection with the reorganization of Canopy USA.

Depreciation and amortization expense was \$4.8 million in the third quarter of fiscal 2026, as compared to \$6.0 million in the third quarter of fiscal 2025. The year-over-year decrease is primarily attributable to the reduction in new capital expenditures.

Share-based compensation

Share-based compensation was \$0.9 million in the third quarter of fiscal 2026, as compared to \$5.2 million in the third quarter of fiscal 2025. The year-over-year decrease is primarily attributable to: (i) higher estimated forfeitures in the third quarter of fiscal 2026 due to departures of certain executives; and (ii) lower expense due to reduced headcount. The decrease is partially offset by fiscal 2026 grants of 2.8 million options and 3.9 million restricted share units.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was \$2.5 million in the third quarter of fiscal 2026, as compared to \$1.3 million in the third quarter of fiscal 2025.

Loss on asset impairment and restructuring recorded in the third quarter of fiscal 2026 related primarily to employee restructuring costs.

Comparatively, in the third quarter of fiscal 2025, the loss on asset impairment and restructuring related primarily to employee restructuring costs, and ongoing holding costs to maintain previously restructured sites.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	<u>Three months ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2025</u>	<u>2024</u>		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Other income (expense), net	(31,627)	(73,945)	42,318	57%
Income tax expense	(368)	(316)	(52)	(16%)

Other income (expense), net

Other income (expense), net was an expense amount of \$31.6 million in the third quarter of fiscal 2026, as compared to an expense amount of \$73.9 million in the third quarter of fiscal 2025. The year-over-year change of \$42.3 million is primarily attributable to:

- Change of \$44.5 million related to non-cash fair value changes on our Canopy USA related assets and other financial assets, from an expense amount of \$76.3 million in the third quarter of fiscal 2025 to an expense amount of \$31.8 million in the third quarter of fiscal 2026. The expense amount recognized in the third quarter of fiscal 2026 is primarily attributable to a fair value decrease relating to our investment in:
 - the Canopy USA Loans Receivable, in the amount of \$17.7 million relating to fair value movements in consideration of the debtor's net assets; and
 - the Canopy USA LPs equity method investment in the amount of \$14.1 million.

Comparatively, the expense amount in the third quarter of fiscal 2025 was primarily attributable to fair value decreases relating to our investments in:

- the Canopy USA and the Canopy USA LPs equity method investments in the aggregate amount of \$140.4 million.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the Canopy USA Loans Receivable, in the amount of \$64.1 million relating to fair value movements in consideration of the debtor's net assets and changes in market conditions and assumptions.

- Increase in interest income of \$1.2 million, from \$1.9 million in the third quarter of fiscal 2025 to \$3.1 million in the third quarter of fiscal 2026. The year-over-year increase is attributable to higher cash balances.
- Decrease in interest expense of \$9.5 million, from \$16.8 million in the third quarter of fiscal 2025 to \$7.3 million in the third quarter of fiscal 2026. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Decrease in non-cash fair value gain of \$19.5 million related to fair value changes on warrant derivative liability, from a fair value gain of \$23.8 million in the third quarter of fiscal 2025 to a fair value gain of \$4.3 million in the third quarter of fiscal 2026. The fair value change was driven by movement in our share price during the period.

Income tax expense

Income tax expense in the third quarter of fiscal 2026 was \$0.4 million, compared to income tax expense of \$0.3 million in the third quarter of fiscal 2025. In the third quarter of fiscal 2026, income tax expense consisted of deferred income tax recovery of \$0.02 million (compared to an expense of \$0.2 million in the third quarter of fiscal 2025) and current income tax expense of \$0.4 million (compared to an expense of \$0.1 million in the third quarter of fiscal 2025).

The decrease of \$0.2 million in deferred income tax expense is primarily a result of the utilization of losses for tax purposes, where the accounting criteria for recognition of an asset has been met.

The increase of \$0.3 million in the current income tax expense arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the third quarter of fiscal 2026 was \$58.3 million, as compared to a net loss of \$98.1 million in the third quarter of fiscal 2025. The year-over-year decrease in the net loss is primarily attributable to the year-over-year change in other income (expense), net, of \$42.3 million and partially offset by a small increase in operating loss from continuing operations. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the three months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Three months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	(As Restated)	(As Restated)		
Net loss from continuing operations	\$ (58,345)	\$ (98,083)	\$ 39,738	41%
Income tax expense	368	316	52	16%
Other (income) expense, net	31,627	73,945	(42,318)	(57%)
Share-based compensation	888	5,159	(4,271)	(83%)
Acquisition, divestiture, and other costs	11,195	3,595	7,600	211%
Depreciation and amortization	8,905	10,314	(1,409)	(14%)
Loss on asset impairment and restructuring	2,491	1,285	1,206	94%
Adjusted EBITDA	<u>\$ (2,871)</u>	<u>\$ (3,469)</u>	<u>\$ 598</u>	<u>17%</u>

The Adjusted EBITDA loss in the third quarter of fiscal 2026 was \$2.9 million, as compared to an Adjusted EBITDA loss of \$3.5 million in the third quarter of fiscal 2025. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to selling, general and administrative expense cost savings.

Discussion of Results of Operations for the Nine Months Ended December 31, 2025

<i>(in thousands of Canadian dollars, except share amounts and where otherwise indicated)</i>	Nine months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	(As Restated)	(As Restated)		
Selected consolidated financial information:				
Net revenue	\$ 213,358	\$ 203,964	\$ 9,394	5%
Gross margin percentage	29%	34%	-	(500) bps
Net loss from continuing operations	\$ (108,184)	\$ (318,232)	\$ 210,048	66%
Basic and diluted loss per share from continuing operations ¹	\$ (0.40)	\$ (3.45)	\$ 3.05	88%

¹ For the nine months ended December 31, 2025, the weighted average number of outstanding common shares, basic and diluted, totaled 269,588,323 (nine months ended December 31, 2024 - 92,172,660).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the nine months ended December 31, 2025 and 2024:

Net Revenue <i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2025	2024		
Canada cannabis				
Canadian adult-use cannabis ¹	\$ 73,888	\$ 58,424	\$ 15,464	26%
Canadian medical cannabis ²	65,538	57,059	8,479	15%
International markets cannabis ³	20,055	25,735	(5,680)	(22%)
	<u>\$ 159,481</u>	<u>\$ 141,218</u>	<u>\$ 18,263</u>	<u>13%</u>
Storz & Bickel	<u>\$ 53,877</u>	<u>\$ 62,746</u>	<u>\$ (8,869)</u>	<u>(14%)</u>
Net revenue	<u>\$ 213,358</u>	<u>\$ 203,964</u>	<u>\$ 9,394</u>	<u>5%</u>

¹ Reflects excise taxes of \$41,240 and other revenue adjustments, representing our determination of returns and pricing adjustments, of \$1,210 for the nine months ended December 31, 2025 (nine months ended December 31, 2024 - excise taxes of \$25,755 and other revenue adjustments of \$3,424).

² Reflects excise taxes of \$7,539 for the nine months ended December 31, 2025 (nine months ended December 31, 2024 - \$6,266).

³ Reflects other revenue adjustments of \$1,292 for the nine months ended December 31, 2025 (nine months ended December 31, 2024 - \$62).

Net revenue was \$213.4 million in the nine months ended December 31, 2025, an increase of \$9.4 million as compared to \$204.0 million in the nine months ended December 31, 2024.

Cannabis

Net revenue from our Cannabis segment was \$159.5 million in the nine months ended December 31, 2025, as compared to \$141.2 million in the nine months ended December 31, 2024.

Canadian adult-use cannabis net revenue was \$73.9 million in the nine months ended December 31, 2025, as compared to \$58.4 million in the nine months ended December 31, 2024. The year-over-year increase is primarily attributable to growth in flower, infused PRJ offerings and new All-In-One vaporizers which launched in the first quarter of fiscal 2026, partially offset by declines in edibles and non-infused PRJs.

Canadian medical cannabis net revenue was \$65.5 million in the nine months ended December 31, 2025, as compared to \$57.1 million in the nine months ended December 31, 2024. The year-over-year increase is primarily attributable to an increase in the number of insured customers, increased order sizes from our insured customers, and a larger assortment of cannabis product choices offered to our customers.

International markets cannabis revenue was \$20.1 million in the nine months ended December 31, 2025, as compared to \$25.7 million in the nine months ended December 31, 2024. The year-over-year decrease is primarily attributable to supply chain challenges in Europe.

Storz & Bickel

Revenue from Storz & Bickel was \$53.9 million in the nine months ended December 31, 2025, as compared to \$62.7 million in the nine months ended December 31, 2024. The year-over-year decrease is primarily attributable to lapping strong sales in the prior year and continued consumer economic uncertainty, offset by our new product launch in September 2025.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the nine months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2025	2024		
Net revenue	\$ 213,358	\$ 203,964	\$ 9,394	5%
Cost of goods sold	\$ 151,949	\$ 134,997	\$ 16,952	13%
Gross margin	61,409	68,967	(7,558)	(11%)
Gross margin percentage	29%	34%	-	(500) bps

Cost of goods sold was \$151.9 million in the nine months ended December 31, 2025, as compared to \$135.0 million in the nine months ended December 31, 2024. Our gross margin was \$61.4 million in the nine months ended December 31, 2025, or 29% of net

revenue, as compared to a gross margin of \$69.0 million and gross margin percentage of 34% of net revenue in the nine months ended December 31, 2024.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the nine months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars except where indicated)</i>	Nine months ended December 31,		\$ Change	% Change
	2025	2024		
Cannabis segment				
Net revenue	\$ 159,481	\$ 141,218	\$ 18,263	13%
Cost of goods sold	117,041	95,690	21,351	22%
Gross margin	42,440	45,528	(3,088)	(7%)
Gross margin percentage	27%	32%		(500) bps
Storz & Bickel segment				
Revenue	\$ 53,877	\$ 62,746	\$ (8,869)	(14%)
Cost of goods sold	34,908	39,307	(4,399)	(11%)
Gross margin	18,969	23,439	(4,470)	(19%)
Gross margin percentage	35%	37%		(200) bps

Cannabis

Gross margin for our Cannabis segment was \$42.4 million in the nine months ended December 31, 2025, or 27% of net revenue, as compared to \$45.5 million in the nine months ended December 31, 2024, or 32% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to lower sales relating to international markets cannabis, higher inventory provisions, costs related to new product launches and a shift in both product and geographical mix.

Storz & Bickel

Gross margin for our Storz & Bickel segment was \$19.0 million in the nine months ended December 31, 2025, or 35% of net revenue, as compared to \$23.4 million in the nine months ended December 31, 2024, or 37% of net revenue. The year-over-year decrease in the gross margin percentage is primarily attributable to lower sales, increased tariffs on imports to the United States and shifts in geographic mix, partially offset by the fact prior year gross margins were depressed due to discounts provided to clear out remaining stock of previously discontinued product and no significant discounts were provided on sales in the current period.

Operating Expenses

The following table presents operating expenses for the nine months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2025	2024		
Operating expenses				
General and administrative	\$ 42,054	\$ 52,689	\$ (10,635)	(20%)
Sales and marketing	46,905	45,676	1,229	3%
Acquisition, divestiture, and other costs	14,599	14,741	(142)	(1%)
Depreciation and amortization	15,283	18,068	(2,785)	(15%)
Selling, general and administrative expenses	118,841	131,174	(12,333)	(9%)
Share-based compensation expense	2,798	14,531	(11,733)	(81%)
Loss on asset impairment and restructuring	5,638	22,135	(16,497)	(75%)
Total operating expenses	\$ 127,277	\$ 167,840	\$ (40,563)	(24%)

Selling, general and administrative expenses

Selling, general and administrative expenses were \$118.8 million in the nine months ended December 31, 2025, as compared to \$131.2 million in the nine months ended December 31, 2024.

General and administrative expense was \$42.1 million in the nine months ended December 31, 2025, as compared to \$52.7 million in the nine months ended December 31, 2024. The year-over-year decrease is primarily attributable to: (i) continued reductions in headcount; and (ii) lower third party costs, including insurance, professional fees and IT costs.

Sales and marketing expense was \$46.9 million in the nine months ended December 31, 2025, as compared to \$45.7 million in the nine months ended December 31, 2024. The year-over-year increase is primarily attributable to increased costs associated with: (i) customer acquisition costs; and (ii) royalties and other variable marketing costs. The increased costs were partially offset by continued reductions in headcount.

Acquisition, divestiture, and other costs were \$14.6 million in the nine months ended December 31, 2025, as compared to \$14.7 million in the nine months ended December 31, 2024. In the nine months ended December 31, 2025, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods;
- transaction costs associated with the proposed acquisition of MTL; and
- other non-recurring acquisition, divestiture and litigation costs and recoveries.

Comparatively, in the nine months ended December 31, 2024, costs were incurred primarily in relation to:

- continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the previously filed Prior Periods;
- the strategic transactions completed in connection with the reorganization of Canopy USA;
- costs associated with the Debt Acquisition of Acreage; and
- costs relating to the modification of the Credit Agreement that occurred in August 2024.

Depreciation and amortization expense was \$15.3 million in the nine months ended December 31, 2025, as compared to \$18.1 million in the nine months ended December 31, 2024. The year-over-year decrease is primarily attributable to the reduction in new capital expenditures.

Share-based compensation

Share-based compensation was \$2.8 million in the nine months ended December 31, 2025, as compared to \$14.5 million in the nine months ended December 31, 2024. The year-over-year decrease is primarily attributable to: (i) higher estimated forfeitures in the first and third quarters of fiscal 2026 due to departures of certain executives; and (ii) lower expense due to reduced headcount. The decrease is partially offset by fiscal 2026 grants of 2.8 million options and 3.9 million restricted share units.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was \$5.6 million in the nine months ended December 31, 2025, as compared to \$22.1 million in the nine months ended December 31, 2024.

Loss on asset impairment and restructuring recorded in the nine months ended December 31, 2025 related primarily to employee restructuring costs.

Comparatively, in the nine months ended December 31, 2024, the loss on asset impairment and restructuring related primarily to non-cash impairment of divestiture-related assets, employee restructuring costs, and ongoing holding costs to maintain previously restructured sites. These amounts were offset by a gain related to remeasurement of a lease liability upon execution of the surrender agreement.

Other

The following table presents other income (expense), net, and income tax expense for the nine months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		\$ Change	% Change
	2025	2024		
	(As Restated)	(As Restated)		
Other income (expense), net	(41,443)	(212,547)	171,104	81%
Income tax expense	(873)	(6,812)	5,939	87%

Other income (expense), net

Other income (expense), net was an expense amount of \$41.4 million in the nine months ended December 31, 2025, as compared to an expense amount of \$212.5 million in the nine months ended December 31, 2024. The year-over-year change of \$171.1 million is primarily attributable to:

- Change of \$194.6 million related to non-cash fair value changes on our Canopy USA related assets and other financial assets, from an expense amount of \$212.6 million in the nine months ended December 31, 2024 to an expense amount of \$18.0 million in the nine months ended December 31, 2025. The expense amount recognized in the nine months ended December 31, 2025 is primarily attributable to a fair value decrease relating to our investment in:
 - the Canopy USA Loans Receivable, in the amount of \$30.3 million relating to fair value movements in consideration of the debtor's net assets.

This fair value decrease was partially offset by a fair value increase related to our investment in:

- the Canopy USA LPs equity method investment in the amount of \$12.3 million.

Comparatively, the expense amount in the nine months ended December 31, 2024 was primarily attributable to fair value decreases relating to our investments in:

- the Canopy USA and the Canopy USA LPs equity method investments in the aggregate amount of \$230.0 million;
- the Acreage financial instrument, in the amount of \$31.8 million. On a quarterly basis, we determine the fair value of the Acreage financial instrument using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Existing Acreage Arrangement Agreement and amended and restated plan of arrangement implemented by the Company and Acreage on September 23, 2020. The fair value decrease in the nine months ended December 31, 2024 is primarily attributable to an increase of approximately 75% in our share price up to the Deconsolidation Date, relative to an increase of approximately 46% in Acreage's share price during that same period. As a result, the model at the Deconsolidation Date reflects both a higher estimated value of the Canopy Growth common shares expected to be issued upon Canopy USA's acquisition of Acreage, and a higher estimated value of the Acreage shares expected to be acquired at that time. In the period up to the Deconsolidation Date, the relative share price movements resulted in a decrease in the value of the Acreage financial instrument; and
- Indiva shares, in the amount of \$2.8 million due a decrease in their share price as a result of their CCAA proceedings.

These fair value decreases were partially offset by a fair value increase related to our investment in:

- the Canopy USA Loans Receivable, in the amount of \$23.6 million relating to fair value movements in consideration of the debtor's net assets and changes in market conditions and assumptions;
- the TerrAscend Exchangeable Shares, in the amount of \$17.3 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the TerrAscend Warrants, in the amount of \$7.9 million, which was primarily attributable to an increase of approximately 16% in TerrAscend's share price up to the Deconsolidation Date;
- the Acquired Debt Option Premium, in the amount of \$3.1 million related to closing of the Debt Acquisition and release of the amount that was previously held in escrow pursuant to the Debt Acquisition.

- Change of \$33.5 million related to fair value changes on acquisition related contingent consideration and other, from an expense amount of \$33.5 million in the nine months ended December 31, 2024 to \$nil in the nine months ended December 31, 2025. No fair value changes occurred in the nine months ended December 31, 2025. Comparatively, the fair value change in the nine months ended December 31, 2024, related primarily to various acquisition related contingent consideration.
- Change of \$23.7 million related to charges associated with the settlement of our debt, from an income amount of \$22.4 million in the nine months ended December 31, 2024 to an expense amount of \$1.3 million in the nine months ended December 31, 2025. In the nine months ended December 31, 2025, settlement of debt balances were made at par and included a write-off of deferred financing costs which resulted in a loss for the period. Comparatively, in the nine months ended December 31, 2024, we recognized a gain of \$22.4 million, primarily in connection with the exchange of the CBI Note.
- Decrease in interest income of \$0.3 million, from \$6.4 million in the nine months ended December 31, 2024 to \$6.1 million in the nine months ended December 31, 2025. The year-over-year change is not significant with the impact of lower cash balances at the beginning of the year causing a decrease in interest income, offset by higher cash balances increasing interest income in the latter months.
- Decrease in interest expense of \$33.3 million, from \$59.2 million in the nine months ended December 31, 2024 to \$25.9 million in the nine months ended December 31, 2025. The year-over-year decrease is primarily attributable to the reduction of our debt balances.
- Decrease in non-cash fair value gain of \$66.8 million related to fair value changes on warrant derivative liability, from a fair value gain of \$64.4 million in the nine months ended December 31, 2024 to a fair value loss of \$2.4 million in the nine months ended December 31, 2025. The fair value change was driven by movement in our share price during the period.

Income tax expense

Income tax expense in the nine months ended December 31, 2025 was \$0.9 million, compared to income tax expense of \$6.8 million in the nine months ended December 31, 2024. In the nine months ended December 31, 2025, income tax expense consisted of deferred income tax expense of \$0.04 (compared to an expense of \$6.4 million in the nine months ended December 31, 2024) and current income tax expense of \$0.8 million (compared to an expense of \$0.4 million in the nine months ended December 31, 2024).

The decrease of \$6.4 million in the deferred income tax expense is primarily a result of the settlement of the CBI Note in fiscal 2025, that did not recur in fiscal 2026.

The increase of \$0.4 million in the current income tax expense arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss from Continuing Operations

The net loss from continuing operations in the nine months ended December 31, 2025 was \$108.2 million, as compared to a net loss of \$318.2 million in the nine months ended December 31, 2024. The year-over-year decrease in the net loss is primarily attributable to: (i) the year-over-year change in other income (expense), net, of \$171.1 million; and (ii) the decrease in operating loss from continuing operations. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the nine months ended December 31, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Nine months ended December 31,		<u>\$ Change</u>	<u>% Change</u>
	2025	2024		
	<u>(As Restated)</u>	<u>(As Restated)</u>		
Net loss from continuing operations	\$ (108,184)	\$ (318,232)	\$ 210,048	66%
Income tax expense	873	6,812	(5,939)	(87%)
Other (income) expense, net	41,443	212,547	(171,104)	(81%)
Share-based compensation	2,798	14,531	(11,733)	(81%)
Acquisition, divestiture, and other costs	15,776	16,300	(524)	(3%)
Depreciation and amortization	27,820	31,651	(3,831)	(12%)
Loss on asset impairment and restructuring	5,638	22,135	(16,497)	(75%)
Adjusted EBITDA	<u>\$ (13,836)</u>	<u>\$ (14,256)</u>	<u>\$ 420</u>	<u>3%</u>

The Adjusted EBITDA loss in the nine months ended December 31, 2025 was \$13.8 million, as compared to an Adjusted EBITDA loss of \$14.3 million in the nine months ended December 31, 2024. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to selling, general and administrative expense cost savings, offset by softer gross margins across the business.

Part 3 – Financial Liquidity and Capital Resources

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

As of March 31, 2026, we had cash and cash equivalents of \$364.7 million and short-term investments of \$nil.

We have recently completed the following debt and equity financings:

- On August 29, 2025, we established the August 2025 ATM Program that allows us to issue and sell up to US\$200 million Canopy Shares to the public from time to time at our discretion in the concurrent U.S. Offering and Canadian Offering; provided, however; that (i) sales of Canopy Shares in the Canadian Offering is limited to aggregate gross sales proceeds to us of up to US\$50 million (or its Canadian dollar equivalent); and (ii) in no event will the combined gross sales proceeds of the August 2025 ATM Program in the United States and Canada exceed US\$200 million. As of June 11, 2026, we sold an aggregate of 56,206,101 Canopy Shares at an average price of \$2.42 per Canopy Share, for gross proceeds of \$135.8 million (US\$98.0 million) and net proceeds, inclusive of commissions and fees, of \$134.4 million (US\$97.1 million). Since the establishment of the August 2025 ATM Program, we have paid an aggregate amount of \$1.4 million (US\$0.9 million) as compensation to the Agents under the August 2025 ATM Program. As of June 11, 2026, we can issue and sell up to US\$102.0 million of Canopy Shares under the August 2025 ATM Program; provided that we can issue and sell up to US\$50 million (or its Canadian equivalent) of Canopy Shares pursuant to the Canadian Offering under the August 2025 ATM Program.
- On January 7, 2026, we entered into the Exchange Agreement pursuant to which, among other things, on the Exchange Closing Date, the May 2024 Investor exchanged the May 2024 Convertible Debenture for (A) (i) the January 2026 Convertible Debentures, (ii) the January 2026 Investor Warrants, and (iii) the Exchange Shares and (B) a \$10.5 million cash payment.
- On January 8, 2026, we entered into the Loan Agreement, pursuant to which, among other things, the Lenders advanced US\$150 million in cash pursuant to a senior secured term loan in the aggregate principal amount of US\$162.1

million. The Loans were funded on January 8, 2026 with an original issue discount of US\$12.1 million. The Loans mature on the earlier of (i) January 31, 2031, and (ii) the date that is 120 days prior to the maturity date of the January 2026 Convertible Debentures.

In connection with the Loan Agreement, on the Loan Closing Date, we issued the Loan Warrants to the Lenders in accordance with each Lender's pro rata share of the Loans. Each Loan Warrant entitles the holder to acquire one Canopy Share at an exercise price equal to US\$1.30 per Canopy Share for a period of five years from the Loan Closing Date. In connection with the Loan Transaction, a portion of the net proceeds from the Loans was used to repay all outstanding amounts owing under the Credit Facility.

On June 15, 2026, we entered into the Amendment, by and among the Company, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, certain lenders party thereto, and JGB. Pursuant to the Amendment, the Lenders have, among other things, imposed the Exchange Restriction on the Company.

We have access to further liquidity through public offerings of equity and debt securities. To facilitate such offerings, in June 2024, we filed a shelf registration statement with the SEC (as amended, the "Shelf Registration Statement"). Pursuant to the Shelf Registration Statement, we may sell securities up to an aggregate total offering price of US\$500 million less any amounts previously sold under the February 2025 ATM Program and the August 2025 ATM Program. The securities covered by the Shelf Registration Statement include: (i) Canopy Shares; (ii) Exchangeable Shares (as defined below); (iii) debt securities; (iv) subscription receipts; (v) warrants; and (vi) units consisting of one or more of such securities or any combination of these securities. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

Under the Shelf Registration Statement, we may access liquidity through the August 2025 ATM Program, pursuant to which we may sell, from time to time, up to US\$102.0 million of additional Canopy Shares as of the date hereof.

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

Cash Flows

The table below presents cash flows for the years ended March 31, 2026, 2025 and 2024:

<i>(in thousands of Canadian dollars)</i>	Year ended March 31,		
	2026	2025	2024
Net cash (used in) provided by:			
Operating activities ¹	\$ (63,806)	\$ (165,750)	\$ (281,950)
Investing activities ²	(21,349)	(47,788)	241,590
Financing activities	332,409	148,660	(465,055)
Effect of exchange rate changes on cash and cash equivalents	3,618	8,389	(1,292)
Net increase/(decrease) in cash and cash equivalents	250,872	(56,489)	(506,707)
Cash and cash equivalents, beginning of period ³	113,811	170,300	677,007
Cash and cash equivalents, end of period	\$ 364,683	\$ 113,811	\$ 170,300

¹ Includes net cash used in operating activities from discontinued operations of \$nil, \$nil and \$(53,529) for the year ended March 31, 2026, 2025 and 2024, respectively.

² Includes net cash provided by investing activities from discontinued operations of \$nil, \$14,127 and \$21,992 for the year ended March 31, 2026, 2025 and 2024, respectively.

³ Includes cash of our discontinued operations of \$nil, \$nil, and \$9,314 for March 31, 2025, 2024 and 2023, respectively.

The accounting restatement of our share-settled warrants for the years ended March 31, 2025 and 2024 has no impact on net cash used or provided by operating, investing, and financing activities. Refer to our statement of cash flows and Note 2 of the Financial Statements for additional details on the accounting restatement and its impact on components of our operating cash flows.

Operating activities

Cash used in operating activities totaled \$63.8 million in fiscal 2026, as compared to cash used of \$165.8 million in fiscal 2025. The decrease in the cash used in operating activities is primarily due to: (i) a reduction in the cash interest paid due to a reduction in our debt balances; and (ii) year-over-year change in working capital movements due to decreased spending and timing, offset by increased operating cash outflow relating to the acquisition of MTL.

Cash used in operating activities totaled \$165.8 million in fiscal 2025, as compared to cash used of \$282.0 million in fiscal 2024. The decrease in the cash used in operating activities is primarily due to: (i) the year-over-year decrease in our operating losses, resulting from our previously-noted restructuring actions and cost savings programs, including the closure of certain of our Canadian facilities and other operational changes to implement cultivation-related efficiencies and improvements in the Canadian adult-use cannabis business; and (ii) a reduction in the cash interest paid resulting from a reduction in our debt balances.

Investing activities

The cash used in investing activities totaled \$21.3 million in fiscal 2026. Purchases of property, plant and equipment were \$5.3 million, primarily related to production equipment enhancements made at certain of our Canadian cultivation and production facilities, and at our Storz & Bickel facilities. Our strategic investments in other financial assets were \$nil as we made no new investments in other financial assets during the year. Net redemptions of short-term investments were \$19.0 million, and related to timing of maturities and remaining balance of short-term investments. Net cash outflow relating to the acquisition of MTL was \$41.5 million, net of cash obtained from consolidation of MTL. Other investing cash inflows of \$7.0 million primarily relate to a litigation settlement associated with a previously divested entity.

The cash used in investing activities totaled \$47.8 million in fiscal 2025. Purchases of property, plant and equipment were \$10.8 million, primarily related to building improvements and production equipment enhancements made at certain of our Canadian cultivation and production facilities. Our strategic investments in other financial assets were \$95.3 million, and related primarily to the cash payment to acquire 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"). Additional cash outflows include \$7.0 million relating to the deconsolidation of the financial results of Canopy USA within the Company's financial statements, refer to Note 5 in the Company's accompanying financial statements for details. Net redemptions of short-term investments were \$16.4 million, and were made largely to fund operations and investing activities as described above. Proceeds of \$4.9 million from the sale of property, plant and equipment primarily related to previous restructuring actions. Net cash inflow on loan receivable of \$30.3 million, primarily related to cash receipts from various loan repayments.

The cash provided by investing activities totaled \$241.6 million in fiscal 2024. Purchases of property, plant and equipment were \$3.4 million, primarily related to production equipment enhancements made at certain of our Canadian cultivation and production facilities, and at our Storz & Bickel facilities. Our strategic investments in other financial assets were \$0.3 million, and related primarily to our \$2.2 million investment in Indiva Inc. Net redemptions of short-term investments were \$78.5 million, and were made largely to fund operations and investing activities as described above. Proceeds of \$154.1 million from the sale of property, plant and equipment primarily related to facilities sold in connection with the restructuring actions associated with our Canadian cannabis operations and transition to an asset-light model. Additional cash outflows include \$1.0 million from the sale of certain wholly-owned subsidiaries, and other investing activities of \$7.7 million, primarily related to completing the purchase of the remaining 45% of the common shares of Les Serres Vert Cannabis Inc., in connection with the restructuring actions related to our Canadian cannabis operations initiated in the fourth quarter of fiscal 2023.

Financing activities

The cash provided by financing activities totaled \$332.4 million in fiscal 2026. Proceeds from the issuance of Canopy Shares were \$374.2 million and related to the sale of Canopy Shares under the February 2025 ATM Program and the August 2025 ATM Program. Issuance of long-term debt resulted in \$208.0 million of cash inflow and relates to the Loan Agreement, offset by long-term debt repayments of \$221.5 million which related primarily to repayment and settlement of the Credit Facility and the January 2026 Convertible Debenture. Debt issuance and extinguishment costs also resulted in a cash outflow of \$11.0 million. Other financing activities resulted in a cash outflow of \$17.2 million, which related primarily to: (i) finance lease payments and (ii) share issuance costs.

The cash provided by financing activities totaled \$148.7 million in fiscal 2025. Proceeds from the issuance of common shares were \$385.4 million and related to the sale of common shares as part of the ATM Programs and \$8.5 million in gross proceeds were received from the exercise of warrants, these amounts were offset by share issuance costs of \$10.2 million. In addition, \$68.3 million was received relating to the Exchange and Subscription Agreement (as defined below), offset by long-term debt repayments of \$289.0 million which related primarily to the First Quarter 2025 Paydowns (as defined below), Second Quarter 2025 Paydown (as defined below), Third Quarter 2025 Paydown (as defined below), and the Optional Prepayment (as defined below). Other financing activities resulted in a cash outflow of \$24.5 million, which related primarily to: (i) finance lease payments and (ii) share issuance costs, as noted above.

The cash used in financing activities totaled \$465.1 million in fiscal 2024, as we made repayments of long-term debt in the amount of \$509.8 million related primarily to the various paydowns on the Credit Facility throughout the year. Other financing activities resulted in a cash outflow of \$36.3 million, primarily relating to finance lease payments made in connection with terminating the finance lease for the cultivation facility in Mirabel, Quebec, share issuance costs, and debt issuance and extinguishment costs. The cash outflows are offset by proceeds from issuances of Canopy Shares and warrants of \$81.1 million in September 2023 and January 2024.

Free Cash Flow (Non-GAAP Measure)

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

The table below presents free cash flows for the years ended March 31, 2026, 2025, 2024:

<i>(in thousands of Canadian dollars)</i>	Year ended March 31,		
	2026	2025	2024
Net cash used in operating activities - continuing operations	\$ (63,806)	\$ (165,750)	\$ (228,421)
Purchases of and deposits on property, plant and equipment- continuing operations	(5,333)	(10,813)	(3,449)
Free cash flow ¹ - continuing operations	<u>\$ (69,139)</u>	<u>\$ (176,563)</u>	<u>\$ (231,870)</u>

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

Free cash flow in fiscal 2026 was an outflow of \$69.1 million, as compared to an outflow of \$176.6 million in fiscal 2025. The year-over-year decrease in the free cash outflow primarily reflects the decrease in cash used in operating activities, as described above.

Free cash flow in fiscal 2025 was an outflow of \$176.6 million, as compared to an outflow of \$231.9 million in fiscal 2024. The year-over-year decrease in the free cash outflow primarily reflects the decrease in cash used in operating activities, as described above.

Debt

Since our formation, we have financed our cash requirements primarily through the issuance of Canopy Shares, including the \$5.1 billion investment by Constellation Brands Inc. in the third quarter of fiscal 2019, and debt. Total debt outstanding as of March 31, 2026 was \$233.4 million, as compared to \$304.1 million as of March 31, 2025. The total principal amount owing, which excludes fair value adjustments, deferred debt costs, and interest payable, was \$281.0 million at March 31, 2026, a decrease from \$315.5 million at March 31, 2025. The decreases were primarily due to: (i) paydown of various debt balances totaling \$221.5 million, offset by the issuance of new debt pursuant to the Loan Agreement, totaling \$208.0 million; and (ii) the impact of foreign currency translations.

Credit Facility

On March 18, 2021, the Company entered into the Credit Agreement providing for a five-year, first lien senior secured term loan facility in an aggregate principal amount of US\$750.0 million (the "Credit Facility").

The Company had the ability to obtain up to an additional US\$500.0 million of incremental senior secured debt pursuant to the Credit Agreement. Pursuant to the balance sheet actions completed on October 24, 2022, we entered into agreements with certain of our lenders under the Credit Agreement pursuant to which we agreed to purchase in the aggregate US\$187.5 million of the principal amount outstanding under the Credit Facility at a discounted price of US\$930 per US\$1,000 or US\$174.4 million in the aggregate. Additionally, on October 24, 2022, we and certain of our lenders agreed to make certain amendments to the Credit Agreement which, among other things, resulted in: (i) a reduction to the minimum liquidity covenant to no less than US\$100.0 million following completion of the second principal repurchase on April 17, 2023; (ii) certain changes to the application of net proceeds from asset sales; (iii) the establishment of a new committed delayed draw term credit facility in an aggregate principal amount of US\$100.0 million; and (iv) the elimination of the additional US\$500.0 million incremental term loan facility.

On July 13, 2023, we entered into an amended Credit Agreement (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 U.S. dollar equivalent of \$93.0 million at a discounted price of US\$930 per US\$1,000 (the "July 2023 Paydown"). In addition, the Amended Credit Agreement required 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 included, among other things, amendments to the minimum liquidity covenant such that the US\$100.0 million minimum liquidity covenant ceased to apply concurrently with the July 2023 Paydown. The Company made the July 2023 Paydown on July 21, 2023.

Between August 11, 2023 and June 28, 2024, the Company repurchased additional outstanding principal amounts under the Credit Facility as follows:

- On each of August 11, 2023 and September 14, 2023, the Company repurchased aggregate principal of \$73.3 million (US\$54.5 million) for a cash payment of \$69.6 million (US\$51.8 million) (the "Second Quarter 2024 Paydowns").

- On each of November 28, 2023 and December 27, 2023, the Company repurchased aggregate principal of \$65.4 million (US\$48.5 million) for a cash payment of \$63.2 million (US\$46.9 million) (the “Third Quarter 2024 Paydowns”).
- On February 21, 2024, the Company repurchased aggregate principal of \$31.1 million (US\$23.0 million) for a cash payment of \$28.0 million (US\$20.7 million) (the “Fourth Quarter 2024 Paydown”).
- On each of April 29, 2024 and June 28, 2024, the Company repurchased aggregate principal of \$11.2 million (US\$8.2 million) for a cash payment of \$11.2 million (US\$8.2 million) (the “First Quarter 2025 Paydowns”).

On August 8, 2024, we entered into an amendment (the “Amending Agreement”) with all of the lenders to the Credit Facility under the Amended Credit Agreement. Pursuant to the terms of the Amending Agreement, the maturity date of the Credit Facility was extended to December 18, 2026 and a mandatory US\$97.5 million prepayment of the Credit Facility at 97.5% of par thereby reducing the outstanding amount of the Credit Facility by US\$100.0 million was required to be made by December 31, 2024. In addition, the Amending Agreement provided for a further extension to the maturity date of the Credit Facility to September 18, 2027 if an optional prepayment was made on or before March 31, 2025 (the “Optional Prepayment”). The Amending Agreement also included changes to certain negative covenants, repayment provisions in the event of divestitures and events of default.

Through August 8, 2024, the Credit Facility matured on March 18, 2026 and through December 26, 2023, had an interest rate of LIBOR + 8.50%. After August 8, 2024, the Credit Facility matured on December 18, 2026, and after December 26, 2023, interest on amounts outstanding under the Credit Facility was 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%. Our obligations under the Credit Facility were guaranteed by our material wholly-owned Canadian and U.S. subsidiaries. The Credit Facility was secured by substantially all of our assets and our material wholly-owned Canadian and U.S. subsidiaries, including material real property. The Amended Credit Agreement contained representations and warranties, and affirmative and negative covenants.

Between September 27, 2024 and March 31, 2025, the Company repurchased additional outstanding principal amounts under the Credit Facility as follows:

- On September 27, 2024, the Company repurchased aggregate principal of \$1.1 million (US\$0.9 million) for a cash payment of \$1.1 million (US\$0.9 million) (the “Second Quarter 2025 Paydown”).
- On October 16, 2024, the Company repurchased aggregate principal of \$137.7 million (US\$100.0 million) for a cash payment of \$134.3 million (US\$97.5 million) (the “Third Quarter 2025 Paydown”).
- On March 31, 2025, the Company made the Optional Prepayment and repurchased aggregate principal of \$143.9 million (US\$100.0 million) for a cash payment of \$140.3 million (US\$97.5 million).

On July 29, 2025, we entered into the Third Paydown Agreement with certain lenders under our Credit Facility. Pursuant to the Third Paydown Agreement, we were required to make the following prepayments: (i) US\$25 million at par on or prior to July 31, 2025; (ii) US\$10 million at par on or prior to December 31, 2025; and (iii) US\$15 million at par on or prior to March 31, 2026. On July 31, 2025, we made the First Prepayment and on September 12, 2025, we made the Early Prepayment. The First Prepayment and Early Prepayment satisfied all of our prepayment obligations associated with the Third Paydown Agreement.

In connection with the Loan Transaction on January 8, 2026, the Company repaid all amounts outstanding under the Credit Facility.

Supreme Cannabis Convertible Debentures and Accretion Debentures

On October 19, 2018, The Supreme Cannabis Company, Inc. (“Supreme Cannabis”) issued 6.0% senior unsecured convertible debentures (the “Supreme Debentures”) for gross proceeds of \$100.0 million. On September 9, 2020, the Supreme Debentures were amended to effect, among other things: (i) the cancellation of \$63.5 million of principal amount of the Supreme Debentures; (ii) an increase in the interest rate to 8% per annum; (iii) the extension of the maturity date to September 10, 2025; and (iv) a reduction in the conversion price to \$2.85.

In addition, on September 9, 2020, Supreme Cannabis issued new senior unsecured non-convertible debentures (the “Accretion Debentures”). The principal amount began at \$nil and accreted at a rate of 11.06% per annum based on the remaining principal amount of the Supreme Debentures of \$36.5 million to a maximum of \$13.5 million, compounding on a semi-annual basis commencing on September 9, 2020, and ending on September 9, 2023. As of September 9, 2023, the principal amount of the Accretion Debentures was finalized as \$10.4 million. The Accretion Debentures were payable in cash, but did not bear cash interest and were not convertible into Supreme Shares (as defined below). The principal amount of the Accretion Debentures amortized, or would be paid, at 1.0% per month over the 24 months prior to maturity.

As a result of the arrangement (the “Supreme Arrangement”) we completed with Supreme Cannabis on June 22, 2021 pursuant to which we acquired 100% of the issued and outstanding common shares of Supreme Cannabis (the “Supreme Shares”), the Supreme

Debentures remained outstanding as securities of Supreme Cannabis, which, upon conversion entitled the holder thereof to receive, in lieu of the number of Supreme Shares to which such holder was theretofore entitled, the consideration payable under the Supreme Arrangement that such holder would have been entitled to be issued and receive if, immediately prior to the effective time of the Supreme Arrangement, such holder had been the registered holder of the number of Supreme Shares to which such holder was theretofore entitled.

In connection with the Supreme Arrangement, we, Supreme Cannabis and Computershare Trust Company of Canada (the “Trustee”) entered into a supplemental indenture whereby we agreed to issue Canopy Shares upon conversion of any Supreme Debenture. In addition, we were able to force conversion of the Supreme Debentures outstanding with 30 days’ notice if the daily volume weighted average trading price of our Canopy Shares was greater than \$385.90 for any 10 consecutive trading days. We, Supreme Cannabis and the Trustee entered into a further supplemental indenture whereby we agreed to guarantee the obligations of Supreme Cannabis pursuant to the Supreme Debentures and the Accretion Debentures.

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

On May 2, 2024, we entered into the Exchange and Subscription Agreement where approximately \$27.5 million of aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures were settled.

On August 20, 2024, we entered into an exchange and subscription agreement (the “August 2024 Supreme Convertible Debt Exchange”) with a single institutional investor (the “August 2024 Investor”) pursuant to which, among other things, the August 2024 Investor delivered to the Company approximately \$2.7 million of aggregate principal amount of outstanding Supreme Debentures held by the August 2024 Investor in exchange for 291,351 Canopy Shares and \$0.03 million in cash for accrued interest.

For the year ended March 31, 2025 principal payments on the Accretion Debentures totaled \$1.5 million and approximately \$30.2 million of aggregate principal amount of outstanding Supreme Debenture and Accretion Debentures were settled through the August 2024 Supreme Convertible Debt Exchange and the Exchange and Subscription Agreement.

For the year ended March 31, 2026, principal payments on the Accretion Debentures totaled \$0.2 million and principal payments on the Supreme Debentures totaled \$2.0 million. As of March 31, 2026, the Supreme Debentures and the Accretion Debentures have been fully settled and are no longer outstanding.

May 2024 Convertible Debenture

On May 2, 2024, we 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 us approximately \$27.5 million aggregate principal amount of outstanding Supreme Debentures and Accretion Debentures held by the May 2024 Investor and paid us approximately \$68.3 million (US\$50 million) in exchange for us 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 approximately \$96.4 million 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”). 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. Interest amounts outstanding under the May 2024 Convertible Debenture was calculated at a rate of 7.50% per annum, payable in semi-annual payments in cash or, at our option, 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 May 2024 Convertible Debenture was 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 was subject to a forced conversion feature upon notice from us 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 remained outstanding (the “2024 Debenture ROFR Term”), we 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 we were going to complete during the 2024 Debenture ROFR Term (the “Proposed Financing”); provided, however, that the May 2024 Investor was required to subscribe for 25% of the Proposed Financing on the same terms and conditions contemplated in the proposed financing (the “2024 Debenture ROFR”).

In connection with the Exchange Transaction on January 8, 2026, the May 2024 Investor exchanged the May 2024 Convertible Debenture with the Company for (A) (i) the January 2026 Convertible Debentures, (ii) the January 2026 Investor Warrants and (iii) the Exchange Shares; and (B) a cash payment in the aggregate amount of \$10.5 million. As a result, the May 2024 Convertible Debenture is no longer outstanding and the 2024 Debenture ROFR has been terminated.

2026 Exchange Agreement

On January 7, 2026, we entered into the Exchange Agreement with the May 2024 Investor pursuant to which, among other things, on the Exchange Closing Date, the May 2024 Investor delivered to us the May 2024 Convertible Debenture held by the May 2024 Investor in exchange for (A) the Company issuing to the May 2024 Investor (i) the January 2026 Convertible Debentures, (ii) the January 2026 Investor Warrants, and (iii) the Exchange Shares and (B) a \$10.5 million cash payment from the Company.

Each January 2026 Investor Warrant entitles the holder to acquire one Canopy Share at an exercise price equal to \$2.16 per Canopy Share until January 8, 2031. The January 2026 Convertible Debentures bear interest at a rate of 7.50% per annum, payable in semi-annual payments in cash, and are convertible, at the option of the May 2024 Investor, into Canopy Shares at a conversion price equal to \$1.83 per Canopy Share.

The January 2026 Convertible Debentures are 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 \$2.75 for a period of 10 consecutive trading days.

Loan Agreement

On January 8, 2026, we entered into the Loan Transaction. The Loans were funded on the Loan Closing Date with an original issue discount of approximately US\$12.1 million. The Loans mature on the earlier of (i) January 31, 2031, and (ii) the date that is 120 days prior to the maturity date of the January 2026 Convertible Debentures.

The outstanding principal amount of the Loans bear interest at an annual rate equal to the applicable Term SOFR rate (subject to a minimum floor of 3.25%) plus 6.25%. Interest on the Loans will be paid monthly in arrears in cash. Following the first anniversary of the first interest payment date, each Lender will have the option to require the borrowers to repay such Lender its pro rata share of up to US\$3 million of principal per calendar month on each payment date thereafter. Prepayment and repayment of the Loans will be subject to (i) an interest make-whole equal to 12 monthly interest payments less any payments made by the borrowers on account of interest prior to the date of such prepayment for any prepayments or repayments made during the first year of the Loans and (ii) an exit fee equal to approximately US\$6.5 million, provided that, with respect to any partial prepayment or repayment of the Loans, only the pro rata portion of such exit fee will be payable at the time of each such partial payment. The Loans and obligations under the Loan Agreement and other related loan documents are secured by substantially all of the assets of the Company and each of its material subsidiaries.

The Loan Agreement also includes certain prepayment fees, a minimum unrestricted cash requirement of the lesser of US\$90 million or the outstanding principal amount of the Loans, and various other representations, warranties, covenants and events of default customary for a financing of this nature.

In connection with the Loan Agreement, on the Loan Closing Date, we issued the Loan Warrants to the Lenders in accordance with each Lender's pro rata share of the Loans. Each Loan Warrant entitles the holder thereof to acquire one Canopy Share at an exercise price equal to US\$1.30 per Canopy Share for a period of five years from the Loan Closing Date.

A portion of the net proceeds from the Loans was used to repay all outstanding amounts owing under the Credit Facility.

On June 15, 2026, we entered into the Amendment, by and among the Company, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, certain lenders party thereto, and JGB. Pursuant to the Amendment, the Lenders have, among other things, imposed the Exchange Restriction on the Company.

Contractual Obligations and Commitments

The table below presents information about our contractual obligations and commitments as of March 31, 2026 and the timing and effect that such obligations and commitments are expected to have on our liquidity and cash flows in future periods:

(CDN \$000's)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
Long-term debt obligations	\$ 280,972	\$ 12,545	\$ 100,360	\$ 113,067	\$ 55,000
Interest and fee payments on debt obligations	112,154	30,974	51,233	27,781	2,166
Operating leases ¹	44,711	11,211	16,280	6,580	10,640
Finance leases ¹	13,104	6,401	6,552	151	-
Purchase obligations	32,559	30,205	1,954	400	-
Other liabilities ²	28,887	22,541	6,346	-	-
	<u>\$ 512,387</u>	<u>\$ 113,877</u>	<u>\$ 182,725</u>	<u>\$ 147,979</u>	<u>\$ 67,806</u>

¹ Refer to Note 31 of our Financial Statements for further information on our leases. Amounts include interest related to operating and finance leases of \$12.0 million and \$0.5 million, respectively.

² Refer to Note 19 of our Financial Statements for further information on our other liabilities.

Part 4 – Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 3 of our Financial Statements. Certain of our accounting policies require the application of significant judgment by management and, as a result, are subject to an inherent degree of uncertainty. We believe that the following accounting policies and estimates are the most critical to fully understand and evaluate our reported financial position and results of operations, as they require our most subjective or complex management judgments. The estimates used are based on our historical experience, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Actual results may vary from our estimates in amounts that may be material to the Financial Statements.

The following critical accounting policies and estimates are those which we believe have the most significant effect on the amounts recognized in the Financial Statements.

Inventory valuation

Critical judgment. Inventory is valued at the lower of cost and net realizable value. The valuation of our inventory balances involves calculating the estimated net realizable value of our inventory and assessing it against the cost. A component of this analysis therefore involves determining whether there is excess, slow-moving or obsolete inventory on hand.

Assumptions and judgment. When determining whether there is excess, slow-moving or obsolete inventory, management makes assumptions around future demand and production forecasts, which are then compared to current inventory levels. Management also makes assumptions around future pricing, and considers historical experience and the application of the specific identification method for identifying obsolete inventory.

Impact if actual results differ from assumptions. If the assumptions around future demand for our inventory are more optimistic than actual future results, the net realizable value calculated using these assumptions may be overstated, resulting in an overstatement of the inventory balance.

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Critical estimates. During the purchase or construction of our property, plant and equipment, and during the acquisition or purchase of intangible assets, amounts are capitalized onto the balance sheet. When the assets go into service, a useful life is assigned to determine the required quarterly depreciation and amortization expense. The useful lives are determined through the exercise of judgment. When an asset is abandoned or ceases to be used the carrying value of the asset is adjusted to its salvage value.

Assumptions and judgment. The useful lives are determined based on the nature of the asset. Management considers information from manufacturers, historical data, and industry standards to estimate the appropriate useful life and salvage value. In certain cases management may obtain third party appraisals to estimate salvage value.

Impact if actual results differ from assumptions. If actual useful lives differ from the estimates used, the timing of depreciation and amortization expense will be impacted. For example, a longer useful life will result in lower depreciation and amortization expense recorded each year, but will also increase the periods over which depreciation and amortization expense is taken. When an asset is abandoned, if the salvage value differs from the estimates used the abandonment cost will be impacted.

Impairment of property, plant and equipment and finite lived intangible assets

Critical estimates. Property, plant and equipment and finite lived intangible assets need to be assessed for impairment when an indicator of impairment exists. If an indicator of impairment exists, further judgment and assumptions will be required in determining the recoverable amount.

Assumptions and judgment. When determining whether an impairment indicator exists, judgment is required in considering the facts and circumstances surrounding these long-lived assets. Management considers whether events such as a change in strategic direction, changes in business climate, or changes in technology would indicate that a long-lived asset may be impaired. When an impairment indicator does exist, judgment and assumptions are required to estimate the future cash flows used in assessing the recoverable amount of the long-lived asset.

Impact if actual results differ from assumptions. If impairment indicators exist and are not identified, or judgment and assumptions used in assessing the recoverable amount change, the carrying value of long-lived assets can exceed the recoverable amount.

Impairment of goodwill and indefinite lived intangible assets

Critical estimates. Indefinite lived intangible assets and goodwill need to be tested for impairment annually at the measurement date of March 31 or sooner, if events or circumstances indicate that the carrying amount of an asset may not be recoverable. An entity may first perform a qualitative assessment of impairment, and a quantitative assessment is only required if the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount.

Assumptions and judgment. When performing a qualitative assessment, judgment is required when considering relevant events and circumstances that could affect the fair value of the indefinite lived intangible asset or reporting unit to which goodwill is

assigned. Management considers whether events and circumstances such as a change in strategic direction and changes in business climate would impact the fair value of the indefinite lived intangible asset or reporting unit to which goodwill is assigned. If a quantitative analysis is required, assumptions are required to estimate the fair value to compare against the carrying value.

Goodwill

Fiscal 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 Storz & Bickel reporting unit. From the analysis, an impairment of \$42.1 million 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 \$43.2 million.

Fiscal 2025

As part of our annual impairment testing, we performed a quantitative goodwill impairment assessment for our remaining goodwill balance, which is assigned to the Storz & Bickel reporting unit. From the analysis, no impairment was noted for our 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 us for our annual impairment test conducted at March 31, 2024.

The carrying value, at March 31, 2025, of the goodwill associated with the Storz & Bickel reporting unit was \$46.0 million. 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%. 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%. 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 13% 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, 2025, the fair value of the Storz & Bickel reporting unit to which goodwill is assigned exceeded its carrying value by approximately 10%. Accordingly, the goodwill assigned to the Storz & Bickel reporting unit is at risk for impairment in future periods. We may be required to perform a quantitative goodwill impairment assessment in future periods for the Storz & Bickel reporting unit, to the extent we experience 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.

Fiscal 2026

As part of our annual impairment testing, we performed a quantitative goodwill impairment assessment for our goodwill balance assigned to the Storz & Bickel reporting unit. From the analysis, an impairment of \$47.5 million 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, 2025. At March 31, 2026, no goodwill remains relating to Storz & Bickel.

Indefinite lived intangible assets

If a quantitative analysis is required, our acquired intangible assets are evaluated for impairment by comparing the carrying value of the intangible assets to their estimated fair value. The estimated fair value of the acquired brands indefinite lived intangible assets are calculated based on an income approach using the relief-from-royalty method. The estimated fair value of the operating license indefinite life intangible assets is calculated based on a market valuation approach.

In fiscal 2024, we recognized intangible asset impairment losses totaling \$9.0 million in connection with certain acquired brands intangible assets relating to our Storz & Bickel segment. Certain negative trends, including slower growth rates and increased competition, resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation for the specific acquired brands. This change in financial forecasts indicated it was more likely than not that the fair value of our indefinite

lived intangible asset associated with the acquired brands might also be below their carrying values, and accordingly we performed a quantitative assessment for impairment. The most significant assumptions used in the relief-from-royalty method to determine the estimated fair value of intangible assets with indefinite lives are: (i) the estimated royalty rate, (ii) the discount rate, (iii) the expected long-term growth rate, and (iv) the annual revenue projections.

In fiscal 2025, no intangible asset impairments were recognized.

In fiscal 2026, we recognized intangible asset impairment losses totaling \$8.0 million in connection with certain acquired brands intangible assets relating to our Storz & Bickel segment. Certain negative trends, including slower growth rates, resulted in updated long-term financial forecasts indicating lower forecasted revenue and cash flow generation for the specific acquired brands. This change in financial forecasts indicated it was more likely than not that the fair value of our indefinite lived intangible asset associated with the acquired brands might also be below their carrying values, and accordingly we performed a quantitative assessment for impairment. The most significant assumptions used in the relief-from-royalty method to determine the estimated fair value of intangible assets with indefinite lives are: (i) the estimated royalty rate, (ii) the discount rate, (iii) the expected long-term growth rate, and (iv) the annual revenue projections.

Impact if actual results differ from assumptions. If the judgments relating to the qualitative or quantitative assessments performed differ from actual results, or if assumptions are different, the values of the indefinite lived intangible assets and goodwill can differ from the amounts recorded.

Fair value measurement of equity method investments

Critical estimates. The Canopy USA and Canopy USA LPs equity method investments are measured at fair value. The valuation of the equity method investments use an asset based approach where Level 3 inputs are used. The Canopy USA fair value is determined based on the net asset values of its businesses, which are impacted by the values of its Acreage and Wana Debt and the Elevate loan. The Canopy USA LPs equity method investments hold the TerrAscend investments and as a result, the fair value measurement is dependent on the fair value measurement of the TerrAscend Exchangeable Shares and TerrAscend Warrants. The valuation of the TerrAscend Exchangeable Shares is based on a put option pricing model and the valuation of the TerrAscend Warrants is based on a Black-Scholes option pricing model. Judgement is required to make assumptions on the key inputs, being the probability and timing of U.S. legalization.

Assumptions and judgment. The valuation techniques require assumptions and judgment around the inputs to be used.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculations will be impacted. Certain assumptions will have greater impact on the determination of fair value. Information on the valuation techniques and inputs used in determining fair values are disclosed in Note 24 of our Financial Statements.

Other fair value measurements

Critical estimates. Some of our assets and liabilities are measured at fair value. In certain cases where Level 1 inputs are not available, valuation approaches using Level 2 and Level 3 inputs are required.

Assumptions and judgment. The valuation techniques require assumptions and judgment around the inputs to be used.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculations will be impacted. Certain assumptions will have greater impact on the determination of fair value depending on the nature of the asset or liability. Information on the valuation techniques and inputs used in determining fair values are disclosed in Note 24 of our Financial Statements.

Valuation of Warrant Liabilities

Critical estimates. The fair value of the warrant liabilities are measured using the Black-Scholes option pricing model.

Assumptions and judgment. The option pricing model relies on key inputs such as expected life of the warrant, the volatility of our share price, and the risk-free interest rate used.

Impact if actual results differ from assumptions. If key inputs differ, the fair value of the warrant liabilities will be impacted. Variations in the fair value of the warrant liabilities will result in changes to the fair value gain/loss recorded each period.

Revenue recognition

Critical estimates. The determination of the reduction of the transaction price for variable consideration requires that we make certain estimates and assumptions that affect the timing and amounts of revenue recognized.

Assumptions and judgment. We estimate the variable consideration by taking into account factors such as historical information, current trends, forecasts, inventory levels, availability of actual results and expectations of customer and consumer behavior.

Impact if actual results differ from assumptions. A more optimistic outlook on future demand can result in lower expected returns and reduced likelihood of price adjustments necessary to sell the product. This outlook will reduce the provision against revenue.

Stock-based compensation

Critical estimates. We use the Black-Scholes option pricing model to calculate our share-based compensation expense.

Assumptions and judgment. The option pricing model relies on key inputs such as rate of forfeiture, expected life of the option, the volatility of our share price, and the risk-free interest rate used.

Impact if actual results differ from assumptions. If key inputs differ, the fair value of options will be impacted. A higher fair value of the options will result in higher share-based compensation expense over the vesting period of the option.

Income taxes

Critical estimates. Many of our normal course transactions may have uncertain tax consequences. We use judgment to determine income for tax purposes and this may impact the recognized amount of assets or liabilities, the disclosure of contingent liabilities or the reported amount of revenue or expense and may result in an unrealized tax benefit for transactions that have not yet been reviewed by tax authorities and that may in the future be under discussion, audit, dispute or appeal.

Assumptions and judgment. We use historical experience, current and expected future outcomes, third-party evaluations and various other assumptions believed to be reasonable in making judgments.

Impact if actual results differ from assumptions. An unrealized tax benefit will be realized when we determine that realization is not in doubt. In any case, if the final outcome is different from our estimate this will impact our income taxes and cash flow.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential economic loss arising from adverse changes in market factors. As a result of our global operating, acquisition and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, interest rates and equity prices. To manage the volatility relating to these risks, we may periodically purchase derivative instruments including foreign currency forwards. We do not enter into derivative instruments for trading or speculative purposes.

Foreign currency risk

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

A hypothetical 10% change in the U.S. dollar against the Canadian dollar compared to the exchange rate at March 31, 2026, would affect the carrying value of net assets by approximately \$23.5 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income or loss. A hypothetical 10% change in the euro against the Canadian dollar compared to the exchange rate at March 31, 2026, would affect the carrying value of net assets by approximately \$12.1 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income or loss.

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

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

Interest rate risk

Our cash equivalents and short-term investments are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. As at March 31, 2026, our cash and cash equivalents, and short-term investments, consisted of \$238.2 million in interest rate sensitive instruments, as compared to \$17.8 million at March 31, 2025, in interest rate sensitive instruments.

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

	<u>Aggregate Notional Value</u>	
	<u>March 31, 2026</u>	<u>March 31, 2025</u>
Fixed interest rate debt	\$ 55,000	\$ 98,778
Variable interest rate debt	225,972	216,686

Equity price risk

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

Information regarding the fair value of financial instrument assets and liabilities that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value is presented in Note 24 of the Financial Statements.